CBS liquidates stock portfolio

Director prompts sell-off of $300 million in equities

By Rose Darby

NEW YORK — The $500 million CBS Inc. defined benefit plan reportedly has liquidated its entire equity portfolio of about $300 million.

The liquidation apparently was undertaken to comply with a market-timing strategy initiated by Laurence A. Tisch, a member of the CBS board of directors, whose company, Loews Corp., owns 12.3% of CBS' outstanding stock.

Mr. Tisch did not return telephone calls. A CBS pension official would not comment on the report, saying only, "We obviously feel that whatever timing moves are made are proprietary to CBS."

After joining the CBS board in October, Mr. Tisch reportedly asked to review the pension fund's asset allocation and investment strategy.

Mr. Tisch was told the fund was 60% in equities, 30% in fixed income and 10% in real estate and venture capital, one industry insider said, and Mr. Tisch responded, " 'That's much too much in stocks,' and requested or insisted CBS put it into other investments."

At the time, the CBS fund had seven equity managers and one bond manager, and was invested in four real estate and four venture capital partnerships.

Meanwhile, the in-house pension investment staff had been built up during 1985. A five-year consulting relationship with Rogers, Casey & Barksdale Inc., Stamford, Conn., was severed, reportedly because the staff could make more decisions internally.

The equity liquidation began during the fall, when five of CBS' seven active equity managers reportedly were told to sell a total of $200 million in stocks. The managers were Fred Alger Management Inc., Alliance Capital Management Inc., BMI Capital Corp. and Lynch & Mayer Inc., all of New York, and Froley, Revy Investment Co., Los Angeles.

Most of the managers declined to comment or did not return telephone calls, though two said they no longer manage CBS assets.

Bankers Trust Co., New York, then was hired to index the assets to the Standard & Poor's 500 stock index, said one money manager familiar with the situation.

By early December, the Bankers Trust fund reportedly was in the process of being liquidated.

"They did the equity index fund with Bankers Trust in October, but then reversed themselves in late November, or early December," the money manager said.

By late 1985, Mr. Tisch was said to be unenthusiastic about the stock market and gave orders to the two remaining equity managers — Neuberger & Berman Pension Management and Sanford C. Bernstein & Co. Inc., both of New York — to sell off the fund's remaining equity positions as the market continued its rally.

Both managers said they could not verify or deny the report.

The liquidation reportedly took place rapidly throughout January. The cash that was raised is being managed in-house, sources said.

One observer close to the fund speculated on why Mr. Tisch might have ordered the market-timing strategy: "Larry Tisch . . . has told anyone and everyone what his feelings about common stocks are," he said. "He has no use for the stock market after it reaches a certain level, and that level is substantially lower than where the market is now."

"How long they will do this, and whether there is the possibility that they will roll the assets over with the money managers they let go, is not known," said one source.

"All I know is a lot of heartache was incurred by this on the part of the CBS pension fund staff, because they were always very disciplined in their decision-making approach," he said.

"The broader issue here is, first, does market timing work? And second, what role should a director play in making a market-timing, all-or-nothing decision such as this one?

"There's a difference between simply hedging a portfolio and this kind of thing," he said.

According to David M. Walker, deputy assistant secretary for pension and welfare benefits at the Department of Labor, the named fiduciary is authorized to make decisions on asset allocation and investment strategy.

The Employee Retirement Income Security Act's "structure contemplates that all fiduciaries have a responsibility to ensure that any instructions given about the pension fund are not in conflict with the law and that it conforms with ERISA, including prudence," Mr. Walker said.

"Whenever one is dealing with someone with a certain amount of stock, they obviously have the ability to influence both the management of the company and the management of the pension plan," he said. "There is a process that must be followed in order to conform with ERISA.

"Ultimately, fiduciaries have to make decisions based upon what is in the interest of the plan and plan participants and beneficiaries," he said. "But they have to make the independent decision that asset allocation and investment strategy are in the interests of the plan." ■

Reporter Ed Christman also contributed to this story.

LBO investment boom is waning; funds stay with established firms

By Chuck Paustian

Interest among pension executives in leveraged buy-out funds is waning, and those funds making investments are going with established firms.

Firms that have been offering leveraged buy-out pooled funds for years now control the vast majority of the $3 billion in pension assets *Pensions & Investment Age* estimates is allocated to leveraged buy-outs.

Indeed, the sheer size of these pooled funds, coupled with the furious pace at which they have been organized, might have exhausted the pension market, leaving few dollars to be allocated to new funds.

The new tax-exempt dollars being allocated in the area mostly are from pension funds that have invested previously in leveraged buy-outs.

Those investors mainly are choosing the established partnerships of the major investment banking firms.

As a result, firms and individuals making inaugural attempts at organizing limited partnerships for the purpose of investing in leveraged buy-outs are having a difficult time lining up institutional investors.

Among the dozens of firms doing leveraged buy-outs, Kohlberg Kravis Roberts & Co., Forstmann Little & Co. and Merrill Lynch Capital Markets, all in New York, are the biggest. KKR's limited partnership fund, for example, has almost $2 billion in assets, mostly pension money.

Continued on page 48

3 commit assets to venture capital

By Trudy Ring

At least three more tax-exempt funds have made commitments to Palmer Organization III Limited Partnership, a venture capital fund in Woburn, Mass.

The $400 million Cincinnati Bell Telephone Inc. pension fund, Cincinnati, will invest $2 million in its first venture capital investment, said Richard L. Dewey, secretary and treasurer.

"Over the next five years, we would like to get 5% (of pension assets) in venture capital," Mr. Dewey said. The fund probably will commit to one more partnership this year, he said.

Venture capital will diversify the fund's asset mix further. He said fund officials chose the Palmer Organization because it is well staffed, has a good investment record and participates in a variety of industries.

The Palmer partnership plans to raise between $25 million and $30 million, with closing April 30. It will invest in companies in their early stages. It is not limited to any specific industry or geographic area, a spokesman said.

Another investor in the partnership is the $800 million Mayo Foundation, Rochester, Minn. The foundation, which also participated in Palmer Organization's two earlier partnerships, committed $1 million to the new fund, said John Herrell, treasurer. He said the foundation invested in the new fund largely because of its experience with the Palmer Organization's previous partnerships.

The $1.3 billion Stanford University endowment fund, Palo Alto, Calif., committed $1 million to the Palmer partnership in February, a spokeswoman said.

The Palmer partnership was one of five chosen by the $1 billion Massachusetts Pension Reserve Investment Trust for its first venture capital investments (*Pensions & Investment Age*, March 3). Other investors are insurance companies and individuals. ■

Filtrona sets 7-plan master trust

By Ed Christman

RICHMOND, Va. — The American Filtrona Corp. has consolidated seven defined benefit plans into an $11 million master trust, hiring a master trustee and two balanced managers, said John D. Barlow Jr., vice president-finance.

The master trustee is Wachovia Bank & Trust Co., Winston-Salem, N.C. The balanced managers are Lowe, Brockenbrough, Tierney & Tattersall Inc., Richmond, and First Union National Bank Capital Management Group, Charlotte, N.C.

Mr. Barlow didn't say how much each manager received.

One plan is sponsored by American Filtrona and six by subsidiaries, including United Air Cleaner Co., Chicago; United Engine Life Co., Santa Fe Springs, Calif.; Dollinger Corp., Rochester, N.Y.; Southern Plastics Co., Columbia, S.C.; and Technolab Inc., Stanley, N.C.

The assets in six of the plans were in immediate participation guarantee and deposit administration contracts with Union Mutual Life Insurance Co., Portland, Maine, and CIGNA Asset Advisers Inc., Hartford, Conn.

The Dollinger plan, with about $1.5 million in assets, was in a balanced account with Marine Midland Bank, New York.

Mr. Barlow said the fund switched to a balanced approach to increase returns.

The company has not set any constraints on the asset mix, giving the managers discretion, he said. No consultant was used.

A profit-sharing plan, with about $3 million in assets managed by Chase Investment Counsel Corp., Charlottesville, N.C., was unaffected by the restructuring. ■

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

***P&I Age* February indexes**

	Latest mo.	Year to date	Trailing 12 mos.
S&P 500	7.48	8.07	30.52
Russell 3000[1]	13.63	8.87	30.33
Ryan Index[2]	5.31	5.83	31.61
Shearson Lehman Gov't./Corp.[2]	4.19	4.80	26.83

Source: Rogers, Casey and Barksdale Inc.

[1]Frank Russell Co. [2]Fixed income.

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The 50 largest issuers

Courtesy of People Express Airlines Inc

People Express added $324 million in debt to its books during 1985.

1985 worldwide public offerings
(top 5 issuers)

Industry	Top 5 ($ mil.)	% total industry	Debt. ($ mil.)	Equity ($ mil.)
Finance cos.	17,643	28.0	17,643	0
Banks/S&L's	10,925	39.9	9,876	1,049
Manufacturing	5,994	19.1	5,994	0
Utilities	4,039	28.2	3,368	671
Service cos.	3,408	24.3	2,518	890
Natural resources	4,957	59.5	4,957	0
Retail	2,220	34.4	1,997	223
Transportation	1,372	46.7	1,159	213
Health	1,806	64.3	1,139	667
Rail/shipping	1,043	62.5	1,043	0
TOTAL	53,407	31.1	49,694	3,713

Source: IDD Information Services, New York

Top financings grab one-third of world volume

By Marci Baker

THE TOP FIVE U.S. issuers in 10 broad industries accounted for more than a third of the worldwide public financing volume in 1985, according to numbers generated by IDD Information Services for *Pensions & Investment Age*.

These 50 largest issuers, however, made up less than 10% of funds raised last year through the private placement arena. U.S. issuers overall raised $172 billion in the worldwide public markets last year, while private placement volume rose to almost $74 billion, IDD reported. (First Boston Corp., Merrill Lynch Capital Markets and Goldman, Sachs & Co. declined to provide numbers of mortgage-related, certificates of deposit and registration rights issues for the last half of 1985, however).

Just more than $53.4 billion, or 31.1%, of publicly underwritten volume was raised by the Top 50 issuers, according to IDD. These companies also raised $5.5 billion in the private markets, representing 7.5% of total volume there.

The ranking of U.S. corporations within each of 10 industries was based on their public financing activity both in the U.S. and overseas markets. Only firmly underwritten deals were included in the universe, whose dollar volume is on a net proceeds basis. All tranches in collateralized mortgage obligations, in addition, were counted together as a single issue.

A company's industry classification was determined by IDD based on what business lines generated the greatest percentage of revenue.

Not surprisingly, finance companies, along with banks and savings and loans, were the most active issuers in the public markets last year, given the relative size of these institutions and their on going need to raise capital. Together, the two industries accounted for more than half of the overall U.S. issuer financing volume.

The leading finance company issuers, lead by General Motors Acceptance Corp., accounted for 28% of the $62.8 billion generated in that industry, while offerings by the Top Five banking issuers, led by Citicorp, represented 39.9% of total public financings by banks and savings and loans.

A third major area of public financing activity came from manufacturers, which accounted for 18.3% of total 1985 volume. The Top Five issuers in this industry generated almost $6 billion in the public markets, ranking third among the leading issuers in other industries.

Mergers and acquisitions were responsible for a large portion of that volume. Philip Morris Inc., R.J. Reynolds Industries Inc. and Procter & Gamble Co. were three of the Top Five issuers in the manufacturing arena.

Most of their capital-raising stemmed from efforts to refinance debt associated with acquisitions valued at more than $1 billion.

Among other highlights are:

•The least active issuers, in terms of dollar volume, were those in the transportation, health care and rail and shipping industries. Together, their largely domestic public offerings accounted for only 4.3% of all financing volume.

At the same time, the financing volume generated by the five leading issuers in each of these market segments represented a huge portion of their respective industry volume. The Top Five issuers in the health care and rail and shipping segments, for example, accounted for 64.3% and 62.5%, respectively, of all public financings in those industries.

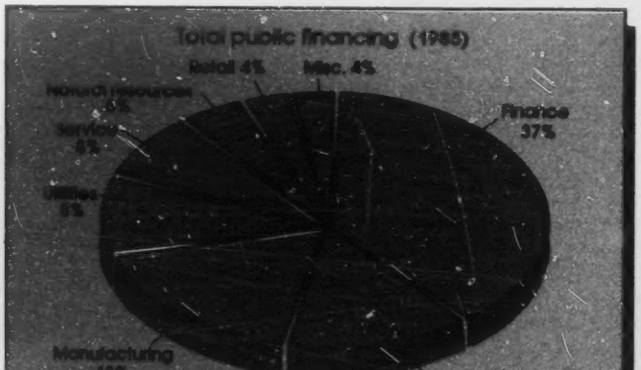
• The largest issuers in the service and retail industries got there as a result of highly leveraged acquisitions. SCI Holdings Inc., the shell company established for the leveraged buy-out of Storer Communications Inc., raised $1.2 billion in the domestic debt markets last year. Pantry Pride Inc., the largest retail company issuer, raised its almost $700 million to finance the purchase of Revlon Inc.

• Under the declining interest rate environment, issuers showed signs of leaning more toward "plain vanilla" and longer-term issues. The 50 largest issuers raised $28 billion last year through straight fixed-rate issues.

According to IDD, the average to maturity for all issuers last year increased slightly, to 13.5% from about 11% in 1984.

• The leading banks, finance and manufacturing issuers were the most active issuers overseas, while the Top Five in the retail and transportation industries were among the least active. Overall, the largest 50 issuers raised $13 billion in 102 public offerings outside the United States. More than $10 billion of that was dollar-based debt while about $3 billion was non-dollar issues. ■

Courtesy of Burlington Northern Inc



Courtesy of Chrysler

Finance

General Motors Acceptance Corp.

Total public offerings	$5,645,418,000
No. of issues	27
Debt	$5,645,418,000
No. of issues	27
Private placements	$5,200,000
No. of issues	2
Total financing for 1985	$5,650,618,000
Key underwriters	Morgan Stanley, Merrill Lynch, First Boston, Salomon

DETROIT — GMAC used four new types of financing last year.

Robert C. Almon, vice president-worldwide borrowing, said GMAC, as one of the largest issuers every year, has a policy of seeking "the broadest investment base" by searching for new investors and new financing instruments.

In December, GMAC became the first of the automobile companies' financing subsidiaries to securitize its car loans for sale in the capital markets.

GMAC raised $522 million, offering 8.45% notes that were priced just a fraction under par. With early payments of principal likely, he estimated their life at 1.9 years, although their maximum maturity is five years.

In January, GMAC raised another $423 million, selling its second securitized auto loan notes at a slightly higher rate of 8.55%.

Mr. Almon expects GMAC to sell more such notes, but he does regard the instruments as still "very experimental" for the firm, whose main purpose is to provide financing for buyers of General Motors Corp. products. He noted the nearly $1 billion raised in the two securitized note offerings amount to a fraction of the $74 billion of auto loans GMAC holds.

He said GMAC decided to try asset-backed financing because "selling the loans is a perfect hedge and because its cost of capital is competitive.

"To the extent you'd like to hedge part of it (the auto loan portfolio), this is the only way to do it."

Otherwise, he said, "There is no way to hedge a retail installment contract. There is no hedging instrument that trades with retail (loan) rates."

The securitized offerings, both done domestically, sold at about 65 basis points above the comparable Treasury rate and slighly higher than GMAC's conventional two-year notes that generally sell at 50 basis points above the Treasury rate, he said.

He said even though the securitized notes have the same credit rating as GMAC's other securities (AA+), the asset-backed issues have a wider yield spread because the interest and the principal is passed through to holders only at the end of the month rather than daily for administrative convenience.

Even though the interest rate is higher on the securitized notes, Mr. Almon said its overall cost of capital is competitive with its conventional notes because the asset-backed securities require no equity. When GMAC leaves auto loans on its books, he said, it requires $1 of equity to support $9 of receivables. First Boston Corp. underwrote both issues.

With issues in January and July 1985, GMAC sold its first yen-denominated debt, raising a total of $192.5 million. Mr. Almon said GMAC was attracted to the new market because the issues, both five-year maturities, have rates slightly below its commercial paper rates.

He said the swap of the floating-rate yen for floating-rate dollar helped make the offerings attractive. "When you swap for dollars, you often come up with dollar rates that are at a lower cost than borrowing in dollars," he added. Mr. Almon expects the yen market to remain attractive this year as well.

GMAC raised a total of nearly $81 million in two issues of pound sterling, both sold offshore, although the proceeds were for use in the United Kingdom. GMAC hadn't done such an offshore offering before, he said, because "there is a problem of accessing the offshore (sterling) market for domestic U.K. use."

As with the sterling offerings, GMAC found that borrowing lira was cheaper offshore than in the Italian markets. As in the case in the United Kingdom, he said, the Italian government central bank is relaxing regulations to encourage such offshore financing for domestic U.K. and Italian use. GMAC sold $43.5 million in five-year lira notes for use in GM's Italian operations. GMAC used BankAmerica to manage the issue, he said.

In addition, a GMAC unit issued $6.2 million in three-year 9% Luxembourg franc notes in two private placements sold in Luxembourg in September. The issues were GMAC's only private placements during the year. Mr. Almon said the financing was done for GM's Belgium operation, which has some Luxembourg assets.

At year-end 1985, he said GMAC's debt-to-equity ratio was about 12 to 1. Typically, the rating agencies use a 10-to-1 target, he said, adding the ratio "should be self-correcting" in 1986. The higher leverage didn't affect GMAC's rating, however.

Mr. Almon said he doesn't expect GMAC to raise as much money this year as it did in 1985, although it depends on GM auto loan incentives.

To manage offerings, he said GMAC mainly uses Morgan Stanley & Co., Merrill Lynch Capital Markets, First Boston Corp. and Salomon Brothers Inc.

Ford Motor Credit Co.

Total public offerings	$3,829,709,000
No. of issues	29
Debt	$3,829,709,000
No. of issues	29
Private placements	$0
Total financing for 1985	$3,829,709,000
Key underwriter	Goldman, Sachs

DETROIT — Ford Motor Credit Co. raised $2.6 billion in the U.S. public markets in 15 transactions ranging from about $100 million to $250 million.

Among its more noteworthy U.S. deals was a $100 million offering in November of maximum-rate notes — a new instrument developed by Merrill Lynch Capital Markets. The 10¾% coupon set on the Ford Credit offering is the maximum rate buyers receive on their investment. However, the interest rate paid to investors will begin to fall if the London Interbank Offered Rate rises above 10.5%. For each basis point climb in LIBOR above that level, the rate on the notes declines by a like amount.

Ford Credit, however, will pay a fixed 10¾% throughout the life of the seven-year non-callable notes. Interest investors forgo if LIBOR exceeds 10.5% will be paid to Merrill Lynch.

Because the underwriter paid Ford Credit an unspecified amount to collect that interest, the issuer was able to save at least 50 basis points in financing costs compared with more conven-

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tional financing.

While the maximum-rate note offering provided one avenue of cheaper financing in the domestic arena, savings on financing costs prompted Ford Credit to turn to the overseas markets to raise $1.2 billion throughout the year.

The issuer raised almost $750 million in seven Eurodollar offerings of between $100 million and $150 million each. Coupons on the five- to 10-year issues ranged from 10.5% to 12%.

Ford Credit raised another $496 million in seven swap-driven deals denominated in foreign currencies, including yen, Swiss franc, deutsche mark, European Currency Unit and Australian and Canadian dollars. The company's two yen offerings of about $105 million apiece and one Swiss franc deal, totaling $78.3 million, were dual-currency transactions in which interest is payable in the stated currency and principal is redeemed in dollars based on a preset exchange rate.

Ford Credit's other non-dollar offerings ranged from $36 million to $77.2 million. Its non-dollar transactions carried coupons of between 7% and 12⅞%, while maturities ranged from five to 10 years.

Goldman, Sachs & Co. was lead underwriter in 20 of its 29 offerings for the year. Underwriters tapped to lead other deals included Merrill Lynch, Credit Suisse First Boston, Daiwa Securities and Banque Paribas Capital Markets.

Chrysler Financial Corp.

Total public offerings	$3,327,323,000
No. of issues	29
Debt	$3,327,323,000
No. of issues	29
Private placements	$132,387,000
No. of issues	3
Total financing for 1985	$3,459,710,000
Key underwriters	varied

DETROIT — General business growth and low-cost programs to finance U.S. car sales were among the motivations that led Chrysler Financial Corp. to tap the public and private markets to the tune of $3.3 billion in 1985.

Given its frequency in the markets, the type of deal Chrysler Financial arranged hinged mainly on which market provided the cheapest cost.

To that end, the finance company raised capital in the foreign markets in 15 out of its 29 public offerings in 1985 and generated $917 million from these deals.

About $467 million of the capital it raised overseas came from 10 transactions denominated in foreign currencies, including the European Currency Unit, Swiss franc and Canadian, Australian and New Zealand dollars.

Amid uncertainty over the course of Treasury rates in late July, Chrysler Financial rolled out two public, non-dollar denominated issues: an ECU 75 million offering of seven-year subordinated bonds and a $50 million (N.Z.) offering of five-year senior subordinated notes to raise $92.5 million.

At the same time, Chrysler Financial raised another $45 million through the private placement of seven-year notes denominated in Swiss francs.

The three deals carried coupons of 9%, 17% and 5.75%, respectively. Chrysler's non-dollar deals, however, have been fully hedged and swap-driven to achieve cheaper dollar-based financing.

Non-dollar deals ranged from $17 million to $75 million, while the company's two floating-rate and three fixed-rate Eurodollar financings ranged from $25 million to $250 million. Its Eurodollar deals raised just more than $450 million for Chrysler Financial.

Still, the bulk of the company's capital raising efforts — $2.4 billion — stemmed from 14 domestic offerings of fixed- and floating-rate as well as zero-coupon obligations.

Its largest public domestic deals included a $400 million offering of 9.8%, three-year notes issued in November and a $300 million offering of extendable notes in April that carried an initial 11.5% coupon and a 12-year final maturity.

In addition to its Swiss franc deal, Chrysler Financial's other private placements included a 200 million deutsche mark offering of 7.25%, five-year notes, raising $65.5 million. It also completed a $22 million private placement of senior notes.

Lead underwriters on the company's deals included Salomon Brothers Inc., Merrill Lynch Capital Markets, First Boston Corp., Smith Barney, Harris Upham & Co., Swiss Bank Corp. International and Banque Paribas Capital Markets.

Federal Home Loan Mortgage Corp.

Total public offerings	$2,664,176,000
No. of issues	6
Debt	$2,664,176,000
No. of issues	6
Private placements	$329,210,000
No. of issues	31
Total financing for 1985	$2,993,386,000
Key underwriter	Salomon Brothers

WASHINGTON — The Federal Home Loan Mortgage Corp. raised almost $3 billion in the public and private markets during 1985. The lion's share of that — almost $2.7 billion — was generated from six public offerings in the United States and abroad.

Freddie Mac's biggest month was November, when it came to the U.S. market with a $689.3 million six-tranche collateralized mortgage obligation deal. With spreads between Treasuries and the Eurobond market narrowing, it issued another $356 million of bonds overseas a day later.

Coupons on the CMO ranged from 8⅛% for the first tranche of securities due March 1987 to 11% for the sixth class of 30-year obligations. The largest tranche — $247 million — represented 9⅛% bonds due March 1990.

Overseas, Freddie Mac issued $250 million of 18-year securities with a 10⅛% coupon and $100 million of 10-year Eurobonds with a 10% coupon. The deals were priced at 102 and 101.46, respectively, and sold to Japanese investors through Nikko Securities as well as to Europeans. Net proceeds totaled $356.5 million.

A third overseas offering in September consisted of 10¾%, 15-year bonds totaling just more than $100 million.

Freddie Mac also issued participating certificates in two deals: 10¾% instruments due in 2000, totaled $694 million, and a serial offering with a 30-year final maturity, totaled $824 million.

In the private market, Freddie Mac raised $329.2 million through 31 private placements, the bulk of which consisted of pass-through certificates. All were 30-year deals and ranged from $1.4 million to $67 million.

Salomon Brothers Inc. was lead manager for the public and private transactions. Other underwriters on the public offerings were Nikko, First Boston Corp., Credit Suisse First Boston and Merrill Lynch Capital Markets.

Phibro-Salomon Inc.

Total public offerings	$2,176,096,000
No. of issues	14
Debt	$2,176,096,000
No. of issues	14

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Private placements	$0
Total financing for 1985	$2,176,096,000
Key underwriter	Salomon Brothers

NEW YORK — While Phibro-Salomon Inc.'s own fund-raising activities placed it second among service companies, the mortgage-related financing activities of Salomon Brothers Inc. put the firm fifth among finance companies.

Salomon, via such mortgage entities as Salomon Brothers Mortgage V and Salomon Capital Access, raised almost $2.2 billion in 14 overall transactions.

Twelve of the 14 offerings were collateralized mortgage obligations (all tranches in a CMO are counted as one transaction) ranging from $8.5 million to almost $600 million in volume. Final maturities ranged from 25 to 30 years. Total net proceeds were $1.85 billion.

The remaining $322 million came from two offerings of 10.5% pass-through certificates due Nov. 1, 2000 and Sept. 1, 2001.

Banks/S&Ls

Citicorp

Total public offerings	$6,231,234,000
No. of issues	40
Preferred	$575,000,000
No. of issues	7
Debt	$5,656,234,000
No. of issues	33
Private placements	$514,600,000
No. of issues	5
Total financing for 1985	$6,745,834,000
Key underwriters	various

NEW YORK — Citicorp's most unusual offering in 1985 was probably a 50-year, subordinated, floating-rate Eurodollar bond.

"We're going to have a party if we are still alive then" in 2035 when it matures, said Robert M. Butcher, vice president.

The offering, managed by Merrill Lynch Capital Markets, was sold in October and raised $350 million. Its rate is 22.5 basis points above the one-month London Interbank Bid Rate. LIBID, he noted, is typically 12.5 basis points below the London Interbank Offered Rate. Citicorp's issue pays about 10 basis points above LIBOR.

"Fifty years is a nifty deal," Mr. Butcher said. It was the longest debt issue ever by Citicorp. "But it wasn't like it was a new type of security," Mr. Butcher said, noting some British banks have sold perpetuities — debt that never matures.

The deal reveals a timid aspect to Citicorp's financing policy. Although it is one of the largest public issuers and is willing to try different financing techniques, Mr. Butcher said Citicorp prefers to let others test new securities and new markets first.

In 1986, Citicorp sold its first reverse-floating-rate notes in February. The five-year domestic issue pays 9¼% the first six months; thereafter it will pay semiannually 17⅜% less the six-month LIBOR. Thus, when LIBOR rises, Citicorp will pay less interest and when it falls, it will pay more.

Salomon Brothers Inc. managed the reverse-rate note offering.

Mr. Butcher said Citicorp sold the notes, not to match the peculiar rate with particular liabilities, but because of an opportunity to achieve, ultimately after some swaps, a less expensive "plain vanilla" floating-rate debt.

In 1985, he said Citicorp re-entered the Australia market for the first time in about six years, raising a $26.7 million (U.S.) worth of Australia currency for use in Citicorp's operations there. The terms of the 13½%, three-year guaranteed notes call for the interest and principal to be paid in U.S. dollars.

The Australian deal was the only foreign currency-denominated financing the worldwide-operating Citicorp did among its total 45 public offerings and private placements in 1985. Ten of the 44 U.S. dollar-denominated financings were in Euromarkets, though.

Mr. Butcher said the lack of foreign currency-denominated offerings "may be partly (due to) the strength of the dollar. When we get involved in foreign currency deals, it's usually because there is a specific need for the foreign currency, or there is an attractive rate."

In any case, he said Citicorp's "bread and butter" financing comes from unsecured U.S. dollar-denominated debt.

Citicorp sold its first dutch auction-rate preferred stock last year, raising a total of $575 million in seven offerings. The dutch auction shares marked Citicorp's return to offering preferred stock and added significantly to Citicorp's capital, doubling the total amount of preferred stock, including previously sold adjustable-rate preferred stock, it now has outstanding.

Shearson Lehman Brothers Inc., which pioneered dutch auction preferred underwriting in 1984, managed all seven of Citicorp's dutch auction preferred stock offerings.

With the preferred stock and certain debt financings, Mr Butcher said Citicorp improved its capital-to-assets ratios. Preferred stock counts as primary capital and debt with an initial maturity of at least seven years qualifies as secondary capital. "Some the debt issues were aimed at improving the capital ratio," Mr. Butcher said.

At the end of the year, Citicorp's primary capital-to-total assets ratio improved to just below the average for money center banks, 6.23%, up 37 basis points. Its total capital-to-total assets ratio was 9.12%, up 1.33%; a ratio Mr. Butcher called "exceptional" in the industry. The better ratios didn't change Citicorp's senior debt credit rating, which stayed, respectively, Aa 1 and AA by Moody's Investors Service and Standard & Poor's Corp.

Except for pass-through certificates, he said none of Citicorp's financing was driven by any particular transaction or acquisition.

Together Citicorp and its Citibank unit sold $1.5 billion in 10 public offerings and five private placements of pass-through certificates. The pass-throughs accounted for Citicorp's only private placements and Citibank's only offerings, public and private. All the private placements are registered, Mr. Butcher said.

Speaking of Citicorp's total financings in general, Mr. Butcher said, "For 1986 my estimate is we would be active but a little bit less so (than in 1985). That's just a function of what we perceive as growth."

Manufacturers Hanover Corp.

Total public offerings	$1,549,180,000
No. of issues	12
Preferred	$250,000,000
No. of issues	4
Debt	$1,299,180,000
No. of issues	8
Private placements	$50,000,000
No. of issues	1
Total financing for 1985	$1,599,180,000
Key underwriters	various

NEW YORK — Manufacturers Hanover raised $250 million through an offering of dutch auction-rate preferred stock in July — the largest single offering of the variable rate preferred security up to that time.

The securities were offered in four series of $62.5 million each at an initial rate of 6⅜%. Shearson Lehman Brothers Inc. was the underwriter.

The bank used the proceeds to redeem an outstanding issue of adjustable-rate preferred stock. The refunding has saved the bank 400 to 500 basis points, or about $1 million a month in dividend costs.

The bank also raised just less than $1.3 billion in eight debt offerings, $1 billion in floating rate obligations and $300 million in straight notes. In addition, $650 million of its floating rating financing was raised in the Eurobond markets in four issues.

Its single private placement for the year was a $50 million senior note deal managed by Bankers Trust Co.

Manufacturers Hanover tapped Merrill Lynch Capital Markets, Morgan Stanley & Co., Goldman, Sachs & Co. and Salomon Brothers Inc. as lead underwriters for individual public debt offerings.

Wells Fargo & Co.

Total public offerings	$1,214,665,000
No. of issues	9
Debt	$1,214,665,000
No. of issues	9
Private placements	$0
Total financing for 1985	$1,214,665,000
Key underwriters	various

SAN FRANCISCO — Wells Fargo was among U.S. and foreign issuers last year to try out a new type of instrument — floating-rate notes with stripped interest rate caps.

Wells Fargo did at least two offerings of the securities in the U.S. and Euromarkets.

A $100 million domestic issue of the floaters, managed by Salomon Brothers Inc., carried a 12-year maturity and a 13% interest rate cap, a slightly higher rate than the bank would have had to pay on an equivalent fixed-rate issue.

According to the security's structure, issuers agreed to pay more than the cap if interest rates exceed that level. They typically sold the right to collect the amount over the cap to unidentified counterparties in exchange for an upfront, lump-sum payment used to reduce overall financing costs on the issues.

Wells Fargo's offerings of these securities was in line with its overall financing activities during the year. All but one of its nine public offerings were floating rate securities; most of those issues were placed in the overseas markets.

The bank's only non-dollar deal, denominated in deutsche marks, raised $115.6 million. The 1.75 billion deutsche mark deal in November, which came amid a wave of issues denominated in the German currency, carries an interest rate that floats at the three-month London Interbank Offered Rate plus 0.125%.

Meanwhile, Wells Fargo's lone fixed-rate deal for the year was a $100 million domestic offering of seven-year notes. The 9.5% notes were priced at 99.2 to yield 9.66%.

Underwriting managers for the banks various deals were Salomon Brothers, Morgan Stanley & Co., Goldman, Sachs & Co., Commerzbank and Credit Suisse First Boston.

Security Pacific Corp.

Total public offerings	$1,005,324,000
No. of issues	12
Common stock	$74,063,000
No. of issues	1
Preferred	$150,000,000
No. of issues	2
Debt	$781,261,000
No. of issues	9
Private placements	$136,000,000
No. of issues	4
Total financing for 1985	$1,141,324,000
Key underwriters	various

LOS ANGELES — The strong stock market prompted Security Pacific to issue 2.5 million new common shares in early December. The $74 million deal, priced at 29⅝ a share, was one of only three equity offerings issued by the bank in 1985.

Security Pacific raised another $150 million through two $75 million issues of dutch auction-rate preferred in September. The initial dividend on the offerings, which is reset every 49 days in a dutch auction, was 5⅜%.

The majority of the bank's financing for the year — $781 million — came from fixed- and floating-rate offerings done in the United States and abroad.

Among its floating-rate issues was an October offering of floating rate notes denominated in deutsche marks. The rate on the notes, which raised $115 million are pegged to the six-month London Interbank Offered Rate and have a 10-year final maturity. Another $350 million was raised through offerings of seven- and 12-year floating rate issues.

Security Pacific's two domestic debt deals totaled $66 million. Both issues were four-year, fixed-rate obligations, one with a 9⅜% coupon and the other with an 8¾% coupon.

Security Pacific Australia, meanwhile, raised about $215.3 million in

$57,000,000

Municipality of Anchorage, Alaska

Pension Financing Program

Goldman Sachs through its Municipal Finance Department and its Pension Services Department assisted the Municipality in the implementation of this program.

Goldman, Sachs & Co.

New York Boston Chicago Dallas Detroit
Houston Los Angeles Memphis Miami
Philadelphia St. Louis San Francisco
London Hong Kong Tokyo Zurich

Goldman Sachs

February 21, 1986

four deals, two of which were denominated in Australian dollars, one in European Currency Units and one in U.S. dollars.

Its first Australian dollar deal was a $40 million extendable note offering with an interest rate reset date in 1990 and a 10-year final maturity. The other was a $36.7 million offering of 14% notes due in 1988.

The ECU offering of five-year notes carried an 8¾% coupon and raised $79.4 million. Just more than $100 million was raised through a 9⅞%, five-year Euronote issue.

Security Pacific National Bank also raised $136 million through four private placement of certificates of deposit maturing between 1986 and 1988 during the year.

Lead underwriters on the various public offerings included First Boston Corp., Credit Suisse First Boston, Salomon Brothers Inc., Shearson Lehman Brothers Inc., Morgan Guaranty Trust, Banque Paribas Capital Markets, Commerzbank and Orion Royal Bank.

Bankers Trust New York Corp.

Public offerings	$924,580,000
No. of issues	6
Debt	$924,580,000
No. of issues	6
Private placements	$185,000,000
No. of issues	5
Total financing for 1985	$1,109,580,000
Key underwriters	Bankers Trust, Merrill

NEW YORK — Bankers Trust New York's public market financing activities in 1985 included three domestic and three overseas deals, raising a total of $925 million.

Among its debt offerings was a new instrument created by Merrill Lynch Capital Markets — maximum-rate notes whose coupons decline if the London Interbank Offered Rate rises above a specified level.

Bankers was the first to come out with the new security in a $100 million offering in mid-November. The seven-year, non-callable notes sold at par at 10⅝%.

That interest rate paid to investors will decline if LIBOR ultimately rises about 10.5%. For each basis point LIBOR climbs above that level, the rate on the notes will fall by an equal amount.

Bankers, however, continues to pay 10⅝% because Merrill paid Bankers an up-front sum to receive the interest that investors would forgo if LIBOR rises to high. As a result, that maximum rate note offering was estimated to save Bankers at least 50 basis points over conventional financing.

The bank's two other domestic deals included a $150 million offering of 9¼% notes due in 1988 and a $100 million offering of floating-rate subordinated debentures due in 1992.

The issuer raised another $375 million in two floating-rate Euronote deals, one with a five-year final maturity and the other with a 15-year final maturity. Both issues carried interest rates tied to the three-month LIBOR rate.

Its third Euromarket deal, a five-year depository note issue with a 11⅛% fixed-rate coupon, raised just less than $100 million.

In the private markets, Bankers did four variable-rate certificates of deposits deals and a $25 million mortgage-backed note issue.

Merrill Lynch Capital Markets was the underwriter on Bankers' domestic offerings. The bank itself was the agent in the private deal and the lead manager in the overseas offering.

Manufacturing

Chrysler Corp.

Total public offerings	$1,441,875,000
No. of issues	3
Debt	$1,441,875,000
No. of issues	3
Private placements	$0
Total financing for 1985	$1,441,875,000
Key underwriter	Salomon

DETROIT — In its financing highlight of 1985, Chrysler Corp. raised $795 million in November, selling the largest single issue of 30-year, fixed-rate debentures ever by an industrial company.

The issue of the 12% debentures, which sold at a fraction under par, illustrates more than just Chrysler's return to financial health. It shows an eagerness to exploit the market to pile up cash.

In February 1985, Chrysler sold its only other offerings, a two-tranche issue, consisting of $350 million in 12¾% seven-year notes and $300 million in 13% in 12-year debentures.

The three issues, all domestic and underwritten by Salomon Brothers Inc., were done solely for opportunistic reasons.

"Opportunistic sounds a little loose, but opportunistic would not be an inappropriate word," said W. Frank Fountain, assistant treasurer.

"Our philosophy is that the best companies borrow money when they don't necessarily need it, but market conditions are favorable," he said.

As a result, he said Chrysler looks to the capital market when interest rates are falling and when potential investors are salivating over recent reports of rising corporate profits.

Mr. Fountain said Chrysler exploited such conditions, including record annual and quarterly earnings, in both the respective February and November offerings, to sell them at a great demand and low interest cost.

In the 30-year debentures, he said Chrysler sold the maximum amount authorized by its board of directors' financing range of $500 million to $800 million.

Speaking about the year's financing, Mr. Fountain said, "Chrysler had no apparent need to get the money.

"We thought we'd go out and get funds and put them away for general corporate purposes," such as acquisitions or to guard against a potential recession, he added.

As it turned out, one purpose was the acquisition of Gulfstream Aerospace Corp. for $641.8 million.

For the stock, Chrysler paid $324 million in cash and exchanged $327.8 million in registered debt securities. The debt, which all went to Alan Paulson, Gulfstream's controlling holder, was in three tranches — $100 million of 9.9% three-year notes, $127.8 million of 10.55% five-year notes and $100 million of 11.04% seven-year notes.

Chrysler is seeking further acquisitions, Mr. Fountain said, although nothing specific has been identified.

In addition, Chrysler recently announced it would buy back 25 million shares of its common stock in the open market over an unspecified period. At recent prices, that would total $1.4 billion, about equal to Chrsyler's debt financings in 1985.

For financing in 1986, Mr. Fountain said, "We don't anticipate going into the debt (or equity) markets." But nothing precludes it from doing so should the opportunity arise, he added.

Chrysler's debt rating held at BBB during the year.

Philip Morris Inc.

Total public offerings	$1,430,502,000
No. of issues	6
Debt	$1,430,502,000
No. of issues	6
Private placements	$108,121,000
No. of issues	2
Total financing for 1985	$1,538,623,000
Key underwriters	various

NEW YORK — The $5.6 billion cash acquisition of General Foods Corp. sent Philip Morris into the public markets five times in late 1985 to raise $1.35 billion.

The domestic and Euromarket financings were part of the company's efforts to refund floating rate General Foods debt with fixed-rate obligations.

To that end, it first dipped into the Euromarkets to raise $500 million in two deals — a 10-year offering of 10% notes and a four-year issue of 9.5% notes.

A week later, Philip Morris moved into the domestic arena to raise another $600 million through another two issues. One comprised three-year 9¼% notes and the other consisted of seven-year notes carrying a 10⅛% coupon.

The company continued its refunding efforts in mid-December, issuing $250 million of 10-year notes paying 9.7% in interest.

Philip Morris also completed an $80 million non-dollar deal in March to generate funds for general corporate purposes. The sterling-denominated deal was well received even though the overseas markets generally were experiencing a slump due to oversupply, volatile foreign exchange markets and an uncertain U.S. bond market. The coupon on the 10-year bonds was 11⅛%.

Philip Morris' private market activities consisted of two deals — a $6 million placement of senior notes in June and a $102 million placement of 5⅛%, seven-year notes denominated in Swiss francs.

Book-running managers on the company's Euronote and sterling deals were Union Bank of Switzerland and Lloyds Bank, respectively.

Goldman, Sachs & Co. and First Boston Corp. were lead underwriters on the U.S. public offerings. Continental Illinois acted as agent on the senior note private placement, while Union Bank was underwriter for the Swiss franc deal.

R.J. Reynolds Industries Inc.

Total public offerings	$1,421,193,000
No. of issues	9
Debt	$1,421,193,000
No. of issues	9
Private placements	$100,000,000
No. of issues	1
Total financing for 1985	$1,521,193,000
Key underwriters	Dillon, Morgan Guaranty, Union Bank of Switzerland, Nikko

WINSTON-SALEM, N.C. — The bulk of R.J. Reynolds Industries' financing activities last year stemmed from efforts to refinance some $2 billion in short-term debt incurred with the $4.9 billion acquisition of Nabisco Brands Inc.

Reynolds acquired Nabisco with about $2.5 billion in cash, plus preferred stock and notes.

Its ability to raise capital more cheaply overseas led the company to conduct most of its refinancing efforts overseas through four non-dollar debt issues and two Eurodollar deals.

About $422 million was raised through its swap-driven, non-dollar deals. Issues included an offering of 7¾% dual-currency Euroyen notes due in 1990; an offering of 8⅝% notes denominated in ECU and due in 1991; a 15-year Swiss franc issue carrying a 5⅜% coupon; an issue of 6⅞%, 15-year bonds denominated in deutsche marks.

Reynolds immediately swapped these foreign currency obligations for cheaper dollar-based debt. In the deutsche mark deal, for example, the company received dollar obligations at about 60 basis points above Treasuries, which was about 30 basis points less than what the company would have had to pay on comparable dollar debt.

Reynolds overseas refinancing efforts also included two Eurobond deals totaling about $250 million. The first was an offering of 10¼% bond due in 1993 and the second was a 10% note issue due in 1991.

Of Reynolds' three domestic deals during the year, only one — a $250 million offering in November of 30-year sinking fund bonds with an 11.35% coupon — was related to the Nabisco acquisition.

Its two other deals, in late July, raised just less than $500 million and included an eight- and 30-year issue carrying 10¾% and 11¾% coupons, respectively.

In the private market, Reynolds raised another $100 million with the placement of 10.9% notes due in 1995.

Dillon, Read & Co. acted as placement agent on the private transactio as well as manager of the company three public offerings in the Unite States. Lead underwriters for the va ous overseas deals included Nikk Securities, Union Bank of Switzerlan and Morgan Guaranty Trust Co.

Procter & Gamble Co.

Total public offerings	$853,937,0
No. of issues	
Debt	$853,937,0
No. of issues	
Private placements	
Total financing for 1985	$853,937,0
Key underwriters	Goldman, Morgan Stanl Daiwa

CINCINNATI — Procter & Gamb Co. turned to the U.S. and Euroma kets late last year to refinance sho term debt associated with its $1. billion cash acquisition of Richardso Vicks Inc.

The company raised more than $60 million in one domestic and two ove seas deals in November and Decem ber. The U.S. offering was a $300 m lion issue of 30-year, sinking-fun debentures priced at par to yie 10⅝%.

Overseas, Procter issued $150 m lion of seven-year senior notes th carried a 9⅞% coupon and wer priced at 101⅞%. That offering wa followed by another $150 million issu of 15-year, non-callable Eurobond which paid a 9⅝% interest rate an was priced at 100¼%. Net proceeds the two deals were $306 million.

Earlier in the year, Procter ha raised $248 million overseas for ge eral corporate purposes and to replac U.S. short-term commercial paper bo rowings.

It opened its financing activities f the year with an offering of Euroye notes — one of about 15 issuers that time to rush into the newly der gulated market to take advantage bargain-basement swap opportunitie The seven-year notes, whose ye

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based interest and principal was swapped into dollar-based obligations, carried a 6⅝% coupon and raised $98.4 million.

Several months later, the company issued $150 million of 10% Eurobonds due in 1995.

Goldman, Sachs & Co. was the lead manager for three of its dollar-denominated deals, while Morgan Stanley & Co. led underwriters on one. Daiwa Securities Co. was the lead on the Euroyen offering.

IBM Corp.

Total public offerings	$846,625,000
No. of issues	3
Debt	$846,625,090
No. of issues	3
Private placements	$0
Total financing for 1985	$846,625,000
Key underwriters	Salomon, Morgan Guaranty

STAMFORD, Conn. — IBM Corp.'s five public offerings for the year included a $100.8 million "sushi bond" offering aimed at attracting Japanese investors.

The issue of seven-year, dollar-based notes carried a 10¼% coupon and was priced almost 30 basis points below comparable Treasuries at the time of issuance in August. The deal was priced at 100¾ to yield 10.09%. But before IBM could offer the securities, the company had to sidestep regulations that limit the amount Japanese investors can own of securities issued by foreign entities to 10% of their portfolios.

To solve this problem, IBM used a subsidiary, IBM Japan, to offer the notes without the backing of a parent guarantee.

IBM, an infrequent issuer in the domestic markets under the parent's name, raised the bulk of its capital — about $745 million — in the United States in 1985. In July, it raised $497 million in an offering of 30-year debentures with a 10.5% coupon.

It entered the market again in October to issue $250 million of 10-year notes carrying a 10¼% interest rate and a seven-year call protection.

As that issue was being marketed, the Euromarket improved and prompted IBM, through IBM World Trade, to raise another $250 million with two issues of notes with the same interest, maturity and call features as the domestic deal. (Offerings by IBM World Trade, as well as IBM Credit Corp., were classified as financial company issues and as a result are not included in the numbers for the parent company.)

The $250 million domestic issue was priced at 99.65%, while the $150 million and $100 million offerings overseas were priced at 100¼% and 100.5%, respectively.

Overseas, the $150 million offering of notes was priced at 100¼%. Salomon Brothers Inc. led the domestic offerings, with Merrill Lynch Capital Markets and First Boston Corp. acting as co-managers. Morgan Guaranty Trust and Nomura Securities Co. were among the managers of the sushi bond deal.

Utilities

Pacific Telesis Group

Total public offerings	$1,146,243,000
No. of issues	4
Common stock	$353,175,000
No. of issues	1
Debt	$793,068,000
No. of issues	3
Private placements	$50,000,000
No. of issues	1
Total financing for 1985	$1,196,243,000
Key underwriters	various

SAN FRANCISCO — After selling 40-year and 39-year issues in 1985 and leading utilities in total public offerings for the year, Pacific Telesis Group raced back into the capital markets early this year, selling a 30-year debt issue.

The latest issue was done to refinance some higher coupon debt at lower costs, illustrating a key financing strategy for Pacific Telesis in 1986.

In February, its Pacific Bell unit offered $350 million of 9¼% 30-year debentures, priced at 98.45% to yield 9.4%.

John Hulse, Pacific Bell's vice chairman and chief financial officer, said the issue's proceeds will be "applied toward the redemption of our higher coupon issues (and) will save the company about $7.5 million in annual interest charges."

Pacific Bell used the new issue to finance the calling of its 40-year 16⅛% debentures, due 2021, and its 10-year 15% notes, due 1991.

Pacific Bell is posed for more public offerings this year; $150 million in debt was remaining in February in a 415 shelf registration.

In 1985, Pacific Telesis and Pacific Bell had together four public offerings of debt and equity and one private placement.

In September, Pacific Telesis sold 5 million shares of common stock at $70.63 each, receiving proceeds of $353 million.

Pacific Bell raised $50 million in a private placement of seven-year, 10.55% notes. Pacific Bell also raised $793 million in two domestic and one Eurodollar debt issue. In early April, it got $297.7 million from an offering of 12¾% 40-year debentures, priced at a 99.25% to yield 12.85%.

In August, it raised $375.3 million from an issue of 39-year 11⅜% debentures, priced at 98.8% to yield 11.5%.

Pacific Bell's Eurodollar offering was a seven-year 11¼% debenture issue, raising $100 million.

Pacific Bell's underwriting syndicates typically include as co-managers First Boston Corp., Goldman, Sachs & Co. and Salomon Brothers Inc. Morgan Stanley & Co. Inc. and Merrill Lynch Capital Markets joined the three as co-managers for two issues, including the common stock offering; and Kidder, Peabody & Co. Inc. and Shearson Lehman Brothers Inc. joined the three as co-managers in one issue.

Pacific Gas & Electric Co.

Total public offerings	$760,195,000
No. of issues	4
Debt	$760,195,000
No. of issues	4
Private placements	$0
Total financing for 1985	$760,195,000
Key underwriters	various

SAN FRANCISCO — Pacific Gas & Electric came out with a $400 million first mortgage bond deal in May that broke some records in the utility financing arena.

At the time of the offering, the deal was thought to be the largest single piece of public financing done by a utility as well as the largest utility financing to emerge to date in 1985.

Still, it met with strong investor demand partly due to a shortage of new long-term issues and utility paper.

Proceeds of the 12.25% bond issue due in 2018 were earmarked for capital expenditures and refunding two outstanding debt issues, including a 16% Eurobond issue. Morgan Stanley & Co., First Boston Corp. and Goldman, Sachs & Co. co-managed the deal.

Before year end, the utility also had completed two additional first and refunding mortgage bond deals — a $200 million issue of 11.25% bonds due in 2018 and a $100 million deal with a 10% coupon and a maturity date in 2019. First Boston and Goldman underwrote the $200 million offering, while Goldman and Salomon Brothers Inc. co-managed the $100 million deal.

Pacific Gas also dipped into the Euromarkets in September to complete a 150 million Swiss franc offering of 10-year bonds, which were swapped into dollar obligations. The deal carried a 5.25% coupon. Proceeds to the utility totaled $67.3 million. Credit Suisse First Boston was the lead underwriter.

On the equity side, the utility issued almost 5.5 million new common shares off the shelf throughout the year. The deals were not underwritten and therefore aren't part of the ranking universe. The price per share in the transactions averaged $19.14 for a total value of $104.7 million.

Southern California Edison Co.

Total public offerings	$747,472,000
No. of issues	5
Debt	$747,472,000
No. of issues	5
Private placements	$0
Total financing for 1985	$747,472,000
Key underwriters	various

ROSEMEAD, Calif. — Southern California Edison tapped the U.S. and overseas public markets five times last year, generating $747 million in net proceeds for refunding existing high-coupon debt, financing on-going construction expenditures and general corporate purposes.

The utility entered the Eurodollar markets in May to raise $100.3 million with 11% notes maturing June 1992 and in October to raise $100.7 million in a offering of 10.5% bonds maturing November 1993.

Southern California Edison's domestic financing activities consisted of three first and refunding mortgage bond offerings. In March, the company raised $224 million with 13% 30-year mortgage bonds. In late September, it came out with a 10% five-year issue, raising $124.5 million, and followed several days later with a 30-year deal carrying an 11.5% coupon, generating $198.2 million in net proceeds.

First Boston Corp., Salomon Brothers Inc. and Goldman, Sachs & Co., respectively, led underwriters on the mortgage-related issues. Credit Suisse First Boston and Daiwa Securities were lead managers on the overseas offerings.

GTE Corp.

Total public offerings	$718,611,000
No. of issues	10
Debt	$718,611,000
No. of issues	10
Private placements	$1,245,547,000
No. of issues	11
Total financing for 1985	$1,964,158,000
Key underwriters	various

STAMFORD, Conn. — GTE Corp.'s public financing program in 1985 focused on the redemption of high-coupon bonds and short-term debt reduction.

To this end, the company moved into the public markets 10 times last year to issue $718.6 million. Eight of those offerings were first mortgage obligations issued by GTE telephone subsidiaries in the Southeast, Southwest, California and Hawaii.

The $50 million to $74.5 million deals had maturities ranging from 10 to 30 years, while fixed-rate coupons ranged from 10⅛% to 11⅜%.

GTE Corp. itself ... short-term obligation in October with a $147.6 million offering of 10⅝% debentures due Oct. 1, 1995.

In the only GTE overseas public offering of the year, GTE Finance raised $76.6 million in a 150 million Swiss franc dual-currency transaction. The fully hedged, swap-driven offering carried a 7% coupon and a 15-year final maturity, although the bonds are puttable in 1997. The deal was done to raise lending capital for General Telephone companies.

In the private markets, GTE Corp. completed six private placements in 1985 for a total of $874 million. Three, totaling $590 million, were lease financings; two, totaling $90.7 million, were ownership interest deals; and one at $194 million was a private placement of secured loan certificates.

GTE Satellite Corp. arranged four private placements, raising almost $80 million through two first and collateralized trust mortgage bond transactions, $76.8 million in a lease financing and $167 million through the sale of secured loan certificates.

GTE Spacenet Corp. arranged a $48.2 million private placement of first and collateralized trust mortgage bonds during the year as well.

Lead underwriters for GTE's various public offerings included Merrill Lynch Capital Markets, Salomon Brothers Inc., Dean Witter Reynolds Inc., Shearson Lehman Brothers Inc., Morgan Stanley & Co. and First Boston Corp.

Placement agents for the private deals were Salomon, PaineWebber Inc., Bankers Trust Co. and Goldman, Sachs & Co.

Commonwealth Edison Co.

Total public offerings	$665,938,000
No. of issues	4
Common stock	$282,500,000
No. of issues	1
Preferred	$35,000,000
No. of issues	1
Debt	$348,438,000
No. of issues	2
Private placements	$35,000,000
No. of issues	1
Total financing for 1985	$700,938,000
Key underwriters	Merrill, Morgan Stanley, Goldman

CHICAGO — Commonwealth Edison raised almost $800 million in 1985 for construction and other corporate purposes.

The proceeds came from five domestic deals, four of which were public offerings.

The utility raised almost $283 million in February through issuing common stock. Another $348 million was raised in August in two first mortgage bond deals. In December, it issued preferred stock, netting $35 million in proceeds.

The mortgage bonds included a 10⅝% 10-year offering. Net proceeds totaled $99.4 million. The issue consisted of 11.75% 30-year first mortgage bonds, with net proceeds coming to $249 million.

Commonwealth tapped the private placement market only once with a $35 million issue of non-recourse notes.

Merrill Lynch Capital Markets lead managed the common stock deal, Morgan Stanley & Co. and Salomon Brothers Inc. co-managed the two mortgage bond deals and Goldman, Sachs & Co. was sole manager for the preferred offering. Continental Illinois National Bank & Trust Co. acted as agent on the private placement.

Service

SCI Holdings Inc.

Public offerings	$1,481,027,000
No. of issues	8
Preferred	$281,000,000
No. of issues	1
Debt	$1,200,027,000
No. of issues	7
Private placements	$0
Total financing for 1985	$1,481,027,000
Key underwriter	Drexel Burnham Lambert

NEW YORK — To help finance the leveraged buy-out of Storer Communications Inc., SCI Holdings and its Scip-

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issue of junk, or high-yield, securities in 1985, raising $1.2 billion debt and $261 million in preferred stock in concurrent offerings in November.

Kohlberg Kravis Roberts & Co. set up SCI to acquire Storer.

In a twist to the buy-out, Storer stockholders received, in addition to $91 in cash per share, a warrant to buy a share of SCI common stock for $4.72 if it goes public. In that event, 10% of SCI stock would be in public ownership. SCI's prospectuses gave no hint whether a public offering would occur. If there is none within 10 years, SCI will redeem the warrants at their appraised value.

Drexel Burnham Lambert underwrote the offerings.

In taking Storer private, KKR set up the highly leveraged financing, capitalizing it with only $227 million in common stock. KKR Associates, a KKR limited partnership, contributed $221 million, giving it 97.2% ownership of SCI. Meanwhile, 25 Storer executives, including Peter Storer, Storer's chairman and chief executive officer, contributed $6 million, giving them the other 2.8% of SCI. In the event of a public offering of SCI common stock, KKR investors and Storer management would still own 90% of SCI.

In the November offerings, SCI raised $600 million in an issue of 15% 12-year senior subordinated debentures and another $600 million in six issues of zero-coupon notes, with interest rates from 13% to 14¼% and maturities from five to 10 years.

In addition, Scipsco sold $261 million in $35-a-share cumulative redeemable exchangeable preferred stock, paying an annual dividend of $5.60.

Besides the public offerings, SCI borrowed $740 million under a bank credit agreement, $50 million under a working capital facility and $5 million from the sale of other warrants to SCI Equity Associates L.P., a limited partnership of SCI Partners L.P., also a KKR limited partnership.

Unlike the warrants issued to Storer's stockholders, the warrants bought by SCI Equity Associates aren't tied to a public offering of SCI stock. The warrants bought by SCI Equity entitle the limited partnership to buy 67.8 million shares of SCI common stock at $2.05 anytime in the next 15 years.

SCI likely will return to the capital markets sometime in the next few years to try to refinance the buy-out, the prospectuses state. SCI doubts anticipated cash flow from Storer's seven television station and 105 cable TV systems will be enough to make all the principal payments on the debt securities, commencing in 1991, and the scheduled redemption of preferred stock, beginning in 1997.

As a result, Storer has so far announced intention to sell one of its cable systems to help repay indebtedness.

Phibro-Salomon Inc.

Total public offerings	$699,335,000
No. of issues	4
Common stock	$415,000,000
No. of issues	1
Debt	$284,335,000
No. of issues	3
Private placements	$0
Total financing for 1985	$699,335,000
Key underwriter	Salomon Brothers

NEW YORK — Phibro-Salomon's $415 million secondary stock offering in June counted as one of the largest common stock deals of the year.

The 10 million shares were sold at $41.50 a share by the Mineral and Resources Corp., Hamilton, Bermuda, in an effort to restructure its investment portfolio and reduce its dependency on Phibro-Salomon stock. The offering reduced Minorco's position in the stock to 14.5% from 21.3%.

Phibro-Salomon also was among a second wave of U.S. issuers to enter the Euroyen market. In August, it issued 10-year, dual-currency Euroyen bonds with an 8% coupon payable in yen and the principal redeemable in dollars at an exchange rate of 208 yen to the dollar.

The obligations, like those issued by into dollar-based obligations. At the time, the swap-related transactions were saving issuers anywhere from 20 to 45 basis points on financing costs against comparable domestic debt securities. Net proceeds to Phibro-Salomon totaled almost $85 million.

Phibro-Salomon also came out with two other domestic debt offerings in August. It raised $100 million with an offering of 10.7%, seven year notes and $99.4 million with an offering of 11⅝% 30-year sinking fund debentures.

Salomon Brothers Inc. and Nomura International Ltd. were managers of the Euroyen deal. Salomon also led the other offerings, with co-managers including Lazard Freres & Co., Merrill Lynch Capital Markets, Prudential-Bache Securities Inc. and Shearson Lehman Brothers Inc.

McDonald's Corp.

Total public offerings	$536,013,000
No. of issues	6
Debt	$536,013,000
No. of issues	6
Private placements	$0
Total financing for 1985	$536,013,000
Key underwriters	various

OAK BROOK, Ill. — McDonald's Corp. turned more frequently to the overseas than the U.S. markets for cheaper financing last year.

Of the $536 million it raised through public debt offerings in 1985, $337 million came from Euromarket deals.

It entered the Eurcyen arena twice, raising almost $98 million in January and $88.6 million in September. The first was a straight yen-denominated offering of 6.5% seven-year debt, the second a 10-year dual currency offering of bonds with an 8% coupon payable in yen and principal payable in dollars.

McDonald's raised another $47 million in March offering of 10⅞% five-year notes denominated in sterling. It also raised $103 million through the issuance of 10% Eurodollar notes maturing January 1993.

The company came out with two domestic offerings during the second half of 1985 — one 10-year deal, with an 11⅝% coupon, and one 30-year offering of sinking fund debentures, with a 10⅞% coupon. Proceeds of the deals were about $100 million each.

McDonald's has been using proceeds from its 1985 financings to pay for restaurant expansion. Daiwa Securities Co. was lead manager for the two yen deals; Salomon Brothers Inc. led managers on the sterling offering and Morgan Stanley & Co. led for the Eurodollar offering. The company tapped PaineWebber Inc. as lead underwriter for its domestic offerings. Co-managers on its various deals included Morgan Guaranty Trust Co., Kleinwort, Benson Ltd. and Merrill Lynch Capital Markets.

Capital Cities Communications Inc.

Total public offerings	$497,800,000
No. of issues	2
Debt	$497,800,000
No. of issues	2
Private placements	$375,000,000
No. of issues	1
Total financing for 1985	$872,800,000
Key underwriter	Goldman, Sachs

NEW YORK — Capital Cities Communications' 1985 financing activity was related solely to its merger with the American Broadcasting Companies Inc. In August, it raised $499 million through two public debt offerings — an 11⅝% 30-year sinking fund issue, raising $299 million, and a 10.5% 12-year note offering, raising $199 million.

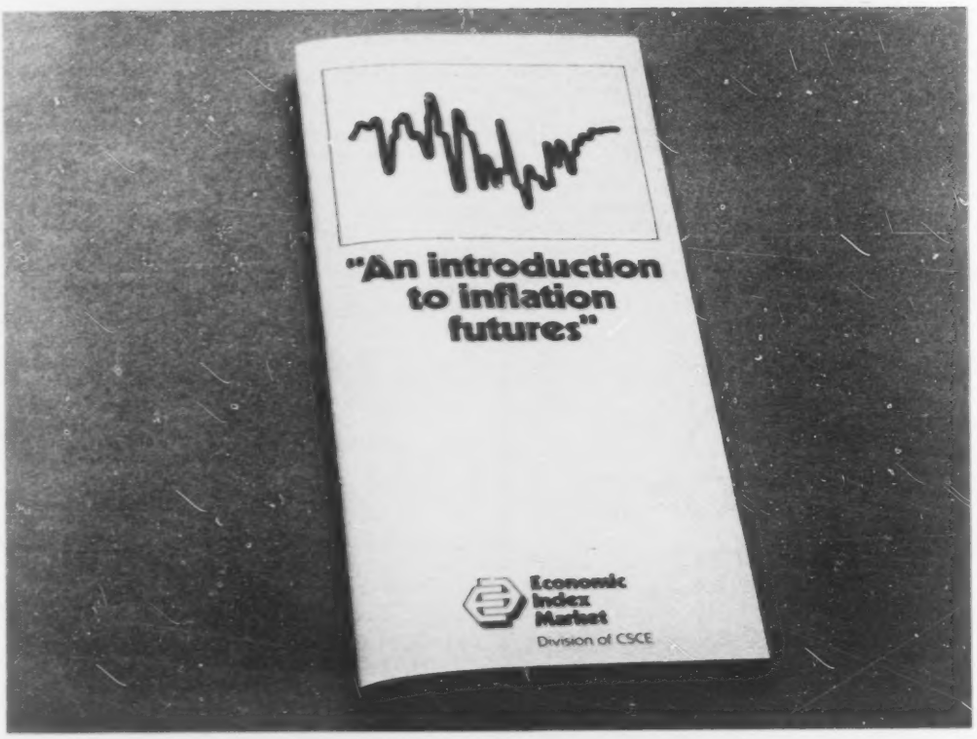
At year end, Capital Cities arranged another $375 million in financing through the private placement of 10-year senior notes.

All were domestic deals. Goldman, Sachs & Co. was the lead manager on the two public offerings, with Morgan Stanley & Co. and Salomon Brothers Inc. acting as co-managers. First Boston Corp. acted as agent in the private placement.

Wickes Cos.

Total public offerings	$475,159,000
No. of issues	3
Preferred	$175,000,000
No. of issues	1
Debt	$300,159,000

Inflation Insurance



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No. of issues	2
Private placements	$450,000,000
No. of issues	3
Total financing for 1985	$925,159,000
Key underwriter	Drexel Burnham Lambert

SANTA MONICA, Calif. — Wickes Cos. raised $925 million last year to finance its acquisition of Gulf & Western Industries Inc.'s consumer and industrial products group. Valued at almost $950 million, the acquisition was made for cash and a five-year option to buy 10 million Wickes shares at $6 a share.

Prior to the deal's announcement, the company had raised $175 million through convertible exchangeable preferred stock, $257.4 million through 10-year subordinated notes and $12.8 million through 12-year usable debentures in the public markets.

The preferred, which sold at $25 a share, carries a $2.50 annual dividend and each $4.06 of preferred is convertible into Wickes common. The interest rate on the subordinated debt was set at 15%, while the usable debentures, which could be used at face value to exercise outstanding Wickes warrants, carried an 11⅜% coupon.

To expedite the remainder of the financing needed for its acquisition, Wickes arranged a private placement with the right to publicly register the securities later. It included $400 million of preferred stock, priced at $25 a share and carrying a $3 initial dividend.

Another $50 million was raised through two seven-year issues — $25 million of straight 13⅞% notes and $25 million of increasing rate notes with an initial coupon of 11.5%.

Wickes' financing activity came less than a year after emerging from bankruptcy proceedings.

Natural resource

Atlantic Richfield Co.

Total public offerings	$2,042,025,000
No. of issues	7
Debt	$2,042,025,000
No. of issues	7
Private placements	$0
Total financing for 1985	$2,042,025,000
Key underwriter	Salomon

LOS ANGELES — Atlantic Richfield, the leading issuer among natural resource companies in 1985, burst back into the capital markets early this year, selling $1.2 billion in five different debt offerings as part of a massive restructuring of its balance sheet.

Excluding the 1986 offerings, Arco last year nearly halved its shareholder equity, while almost doubling its long-term debt.

Ronald Arnault, senior vice president-financial planning and chief financial officer, said recently the increase in shareholder returns was worth the small additional cost of leveraging its balance sheet, including a credit-rating downgrade by Moody's Investors Service Inc. to A 2 from Aa 3.

In December, before the downgrade, he said Arco offered seven-year, 9½% notes, raising $149.5 million and selling them at 53 basis points over comparable Treasury securities. After the downgrade, he said Arco sold another issue of seven-year notes at a 79-basis-point spread.

Including the December issue, Arco last year sold seven offerings, all debt and all priced just a fraction under par.

Its first public offering of 1985 was its longest-maturing issue, 30-year debentures sold in June. Arco raised $298.8 million selling the 11⅛% coupon bonds.

Later that month, it sold its only nondomestic offering, raising $249.3 million in 15-year 10¼% coupon Eurodollar bonds. Notably Arco and Ford Motor Co. were the only two U.S. issuers to re-enter the Eurodollar market in June after American firms had stayed away for several months.

In July, it sold its biggest offering, raising nearly $1 billion in a two-tranche deal. It raised $498.9 million in 10-year 10⅜% coupon notes; and $496.5 million in 10⅞% coupon 20-year debentures.

In October, it received $199.5 million, selling 9¾% coupon four-year notes. The same month, it raised $148.8 million, offering 10-year 10½% coupon notes.

So far this year, Arco has had five debt offerings, totaling $1.2 billion.

Arco's balance sheet shows some results of the huge restructuring. At the end of 1985, Arco's balance sheet had $5.7 billion in long-term debt, $332 million in capitalized leases, $69 million in other long-term obligations and $5.5 billion in shareholder equity.

By contrast, the year before, Arco had $3.4 billion in long-term debt, $356 million in capitalized leases, $926 million in other long-term obligations, $9.9 billion in shareholder equity and $38 million in preferred stock.

While increasing leverage, Arco also raised its dividend by a third, to $4 a share annually. Because the increase wasn't announced until the second quarter and because of stock repurchases, total dividend payments increased slightly, to $766 million in 1985 from $742 million in 1984.

Arco suspended its stock repurchase program early this year. But a spokesman noted Arco completed 85% of the $4 billion repurchase announced in April 1985.

Texaco Inc.

Total public offerings	$1,098,421,000
No. of issues	4
Debt	$1,098,421,000
No. of issues	4
Private placements	$0
Total financing for 1985	$1,098,421,000
Key underwriters	various

WHITE PLAINS, N.Y. — Texaco Inc. raised $1.1 billion for working capital, retirement of existing debt and general corporate purposes last year with proceeds from four deals issued by its subsidiary, Texaco Capital.

Almost $800 million of its financing efforts represented three deals done in the Euromarkets. Texaco issued $250 million of 10-year guaranteed notes with an 11⅛% coupon in April and another $296 million of 10-year bonds paying 10% interest in July.

It entered the Eurodollar market a third time in August to raise $253 million of five-year notes, also with a 10% coupon.

Texaco's only domestic deal for the year was a $300 million extendable note offering with a 15-year final maturity and an initial coupon of 11¼%. The rate will be reset in March 1989, at which time investors have the right to put the bonds back to the company.

Salomon Brothers Inc. was the lead underwriter on the extendable deal, with Merrill Lynch Capital Markets and Morgan Stanley & Co. co-managing the deal. Union Bank of Switzerland led the $250 million Euronote offering, Credit Suisse First Boston was lead manager on the $296 million Eurobond deal. Other managers of these deals included Bankers Trust Co., Commerzbank and Nomura Securities.

Goldman, Sachs & Co. and Union Bank managed the $253 million Euronote deal.

Chevron Corp.

Total public offerings	$798,728,000
No. of issues	2
Debt	$798,728,000
No. of issues	2
Private placements	$250,000,000
No. of issues	1
Total financing for 1985	$1,048,728,000
Key underwriters	Salomon, Merrill, Dillon

SAN FRANCISCO — Chevron Corp. raised more than $1 billion in the public and private placement markets in 1985 to help refinance existing debt, fund capital expenditures and provide financing for general corporate purposes.

Through Chevron Capital U.S.A., it entered the U.S. public markets twice, first in January to raise $500 million and again in May to raise $223 million. Both deals were guaranteed note offerings. However, the first issue carried an 11% coupon and five-year maturity, while the second was an offering of 10.75% 10-year securities.

In addition, the oil company arranged a $250 million private placement of promissory notes due in February 1990. Dillon, Read & Co. acted as agent on the deal.

Meanwhile, Salomon Brothers Inc. was the sole underwriter on Chevron's January public offering. Salomon and Merrill Lynch Capital Markets were co-managers on the May note offering.

Tenneco Inc.

Total public offerings	$595,650,000
No. of issues	5
Debt	$595,650,000
No. of issues	5
Private placements	$0
Total financing for 1985	$595,650,000
Key underwriters	Morgan Stanley, Merrill

HOUSTON — Tenneco eschewed the domestic markets in 1985, choosing instead to raise almost $596 million for general corporate purposes overseas.

Four of its five deals last year were Eurodollar financings and included a $150 million offering of four-year notes, a $150.4 million issue of extendable notes with a 10-year final maturity and two $100 million offerings guaranteed notes due in 1989 and 1995. Interest rates ranged from 10¾% for the extendables, whose first put is exercisable in 1990, to 11.5% for the four-year notes.

Tenneco turned to the non-dollar markets for its final deal of the year. In late December, it came out with a 10-year bond deal denominated in deutsche marks. The coupon on the swap-driven transaction was set at 6⅞%. Net proceeds totaled $94.8 million.

Commerzbank was the underwriter on the German currency issue. Morgan Stanley & Co. and Merrill Lynch Capital Markets co-managed the four Eurodollar transactions.

Mobil Corp.

Total public offerings	$422,650,000
No. of issues	4
Debt	$422,650,000
No. of issues	4
Private placements	$400,000,000
No. of issues	1
Total financing for 1985	$822,650,000
Key underwriters	Morgan Stanley, Union Bank of Switzerland, Societe Generale

NEW YORK — Mobil Corp. raised almost $423 million for general corporate purposes in the public markets in 1985, all but $100 million of which represented foreign offerings.

The oil company started the year with a $200 million offering of five-year Euronotes in late January. The securities carried a 10¼% coupon.

In August, when domestic financing volume was off from July, the issuer came out with two swap-driven, non-dollar deals totaling $123 million. The first, a seven-year dual-currency issue with the 7% coupon payable in Swiss francs and principal payable in dollars, raised just more than $61 million for Mobil. The second was a French franc issue of five-year, 11⅛% notes that generated $59 million.

In its only domestic public offering of the year, Mobil raised $99.6 million through the sale of three-year notes carrying an 8¾% coupon.

In addition, Mobil came out with one private placement during the year — a $400 million note offering due in 1986.

Union Bank of Switzerland led underwriters in Mobil's Euronote and dual-currency issues. Societe Generale was the lead manager role on the French franc deal, while Morgan Stanley & Co. lead managed the company's domestic public offering. First Boston Corp. acted as placement agent in the private transaction.

Retail

Pantry Pride Inc.

Public offerings	$697,540,000
No. of issues	4
Preferred	$125,000,000
No. of issues	1
Debt	$542,540,000
No. of issues	3
Private placements	$725,000,000
No. of issues	2
Total financing for 1985	$1,422,540,000
Key underwriter	Drexel Burnham Lambert

NEW YORK — In a sort of raspberry-sounding swan song to retailing, Pantry Pride led all retail companies in public offerings in 1985, only to use the proceeds as part of a massive restructuring to abandon its retail operations.

It raised $1.4 billion in public offerings and private placements to acquire Revlon Inc. and help transform itself into a cosmetics manufacturer.

Pantry Pride raised even more money after it bought Revlon last fall and began liquidating many of the cosmetics firm's assets. The liquidations raised about $1.9 billion — almost as much as the $2 billion Pantry Pride paid for Revlon — while keeping intact Revlon's cosmetics operations and two health-related units.

In the next few weeks, Pantry Pride plans to change its name to Revlon Group Inc., signaling its concentration on cosmetics, said a spokesman who recounted the financings and restructuring.

The takeover and restructuring started in June 1985 when MacAndrews & Forbes Group, a New York-based closely held firm, took control of Pantry Pride by buying 35% of its stock. Pantry Pride, under new management, then positioned itself for its takeover of Revlon.

In three simultaneous public offerings in July, Pantry Pride raised a total of $542.5 million in junk debentures and notes.

At the same time, it raised another $125 million from a sale of exchangeable preferred stock. All four offerings of junk, or high-yield low-rated, securities were sold domestically and underwritten by Drexel Burnham Lambert Inc.

In August, Pantry Pride withdrew another public offering of junk bonds and instead raised in November the $725 million from private placements of two floating-rate notes, consisting of $500 million in five-year senior subordinated notes and $225 million in six-year subordinated notes. Drexel served as the agent.

The private investors then turned around, registered the debt and sold it in the public markets. Drexel again was the underwriter.

In December, Pantry Pride sold Revlon's Norcliff Thayer drug unit for $395 million to Beecham Group, London. A month later, it sold another Revlon pharmaceutical unit, USV/Armour Inc., for $690 million to Rorer Group Inc. The asset sales, coupled with Pantry Pride's capture of $400 million cash Revlon had on hand and a $50 million reversion from the termination of Revlon's pension plan, nearly equals the price of the acquisition.

In addition, Pantry Pride is receiving an undisclosed amount of cash from abandoning its own retail operations. Pantry Pride sold the bulk of its supermarkets in 1985 and this year plans to sell the rest of its retailing operations, Adams Drug Co. and Devon Stores Inc. The spokesman said Pantry Pride hasn't disclosed the proceeds from the retail operations sales.

Pantry Pride is retaining the use of some $400 million in net operating tax loss carryforwards, received as a result of the emergence of its predecessor, Food Fair Inc., from bankruptcy law proceedings several years ago. The spokesman said the soon-to-be Revlon Group Inc. will use the carryforwards to reduce income taxes of future earnings.

He said the company hasn't any plans to further public or private offerings this year.

As of Dec. 31, Pantry Pride had $200 million in equity and $2.64 billion in total debt, consisting of $1.64 billion from Pantry Pride and $1 billion from Revlon, the spokesman said.

K mart Corp.

Total public offerings	$498,118,000
No. of issues	3
Debt	$498,118,000
No. of issues	3
Private placements	$0
Total financing for 1985	$498,118,000
Key underwriters	Goldman, First Boston, Salomon, Drexel

TROY, Mich. — K mart Corp. went on a fund-raising blitz in early 1985, coming out with three competitively bid debt issues in as many weeks.

The last week in February, the retailer issued $250 million of 12.75% 30-year sinking-fund debentures through Goldman, Sachs & Co., First Boston Corp. and Salomon Brothers Inc.

It followed the next week with $150 million of 12⅛% notes maturing in 1995; Drexel Burnham Lambert un-

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derwrote the deal. The company wrapped up the financing drive a week later with a $100 million offering of 20-year debentures carrying a 12.5% coupon. Goldman and First Boston managed that deal.

All three deals had difficulty selling, primarily because of poor market conditions at the time. In addition, the 10-year note offering's problems were said to be compounded by the issue's aggressive pricing and a competing deal by a similar credit that offered a more lucrative yield.

The three debt offerings exhausted a $500 million shelf registration filed by K mart shortly before it went into the market. The $498 million the company received in net proceeds were earmarked for general corporate purposes.

Petrie Stores Corp.

Total public offerings	$373,500,000
No. of issues	3
Common stock	$98,500,000
No. of issues	1
Debt	$275,000,000
No. of issues	2
Private placements	$0
Total financing for 1985	$373,500,000
Key underwriters	Goldman, Sachs

SECAUCUS, N.J. — Petrie Stores Corp. took advantage of the strong stock market at year end to put additional equity on its books.

The retailer raised $98.5 million in mid-December through a 2 million common stock offering managed by Goldman, Sachs & Co. The shares were priced at $49.25 each.

Petrie had already entered the debt markets earlier in the year to raise $275 million, also through Goldman. In late March, it netted $150 million with an offering of subordinated exchangeable debentures. In August, it raised another $125 million through an issue of convertible subordinated debentures. Both issues mature in 2010. The exchangeable offering carried an interest rate of 7.5%, while the convertible issue's coupon was 8%.

J.C. Penney Co.

Total public offerings	$351,284,000
No. of issues	3
Debt	$351,284,000
No. of issues	3
Private placements	$0
Total financing for 1985	$351,284,000
Key underwriters	First Boston, Nikko

NEW YORK — J.C. Penney was one of some 15 issuers to take advantage of the bargain basement swaps being offered U.S. issuers of Euroyen notes in January 1985.

Nikko Securities Co. International led underwriters in a J.C. Penney offering of seven-year, yen-denominated Euronotes with a 6.75% coupon. Proceeds to the company totaled $102.3 million.

The Japanese Ministry of Finance had opened the Euroyen market up to highly rated U.S. issuers only the month before. To get the market rolling, Japanese financial institutions arranged currency and interest rate swaps with issuers of aggressively priced dollar-based obligations.

As a result, many U.S. Euroyen issuers got dollar-based obligations that were more than 25 basis points cheaper than other comparable dollar transactions.

J.C. Penney also raised about $250 million in two domestic deals underwritten by First Boston Corp. It netted $149 million with an issue of 30-year, fixed-rate sinking fund obligations in June. Another $100 million came from a December offering of 10-year, fixed-rate notes. Coupons on the two deals were 11% and 9.75%, respectively.

The transactions were done to support customer receivables and financing capital expenditures associated with updating J.C. Penney stores.

Dayton-Hudson Corp.

Total public offerings	$299,750,000
No. of issues	3
Debt	$299,750,000
No. of issues	3
Private placements	$0
Total financing for 1985	$299,750,000
Key underwriter	Goldman, Sachs

to finance an on-going expansion program last year.

Domestically, it focused in the long end of the maturity spectrum with two offerings of 30-year, fixed-rate bonds. The company's first offering of sinking fund debentures in spring, managed by Goldman, Sachs & Co., carried a 12% fixed interest rate. Rates had declined by late fall, enabling the company to garner an 11.25% coupon on its second 30-year deal, which was co-managed by Goldman and Salomon Brothers Inc. Both issues netted Dayton-Hudson $100 million.

Dayton-Hudson also went overseas to raise almost $100 million through a Eurodollar offering. The 10-year notes were issued with a 10⅝% coupon. Goldman and Credit Suisse First Boston co-managed the issue.

The 50 largest issuers profiles were written by staff members Marci Baker and Barry B. Burr with help from Lauren Picker.

Transportation

People Express Airlines Inc.

Total public offerings	$373,100,000
No. of issues	6
Common stock	$23,250,000
No. of issues	1
Preferred	$30,000,000
No. of issues	1
Debt	$319,850,000
No. of issues	4
Private placements	$4,366,000
No. of issues	1
Total financing for 1985	$377,466,000
Key underwriters	Morgan Stanley, Hambrecht

NEWARK, N.J. — People Express Airlines Inc., already highly leveraged, added in 1985 $324 million of debt, including $97 million to help buy Frontier Airlines, and closed the year with a net $27 million loss.

In April, to try to strengthen its equity base and enhance its ability to finance operations and capital expenditures, People Express raised $30 million, selling 1.2 million shares of 10% convertible cumulative preferred stock. The stock carried a 15.9% conversion premium, making it convertible into common stock at $10 a share.

Robert McAdoo, chief financial officer, said the offering was the only way to build capital without diluting equity.

In June, it raised a total of $124.7 million in two issues of secured equipment trust certificates, using some of the proceeds to repay bank debt incurred to buy aircraft. The balance went for working capital and unspecified corporate purposes.

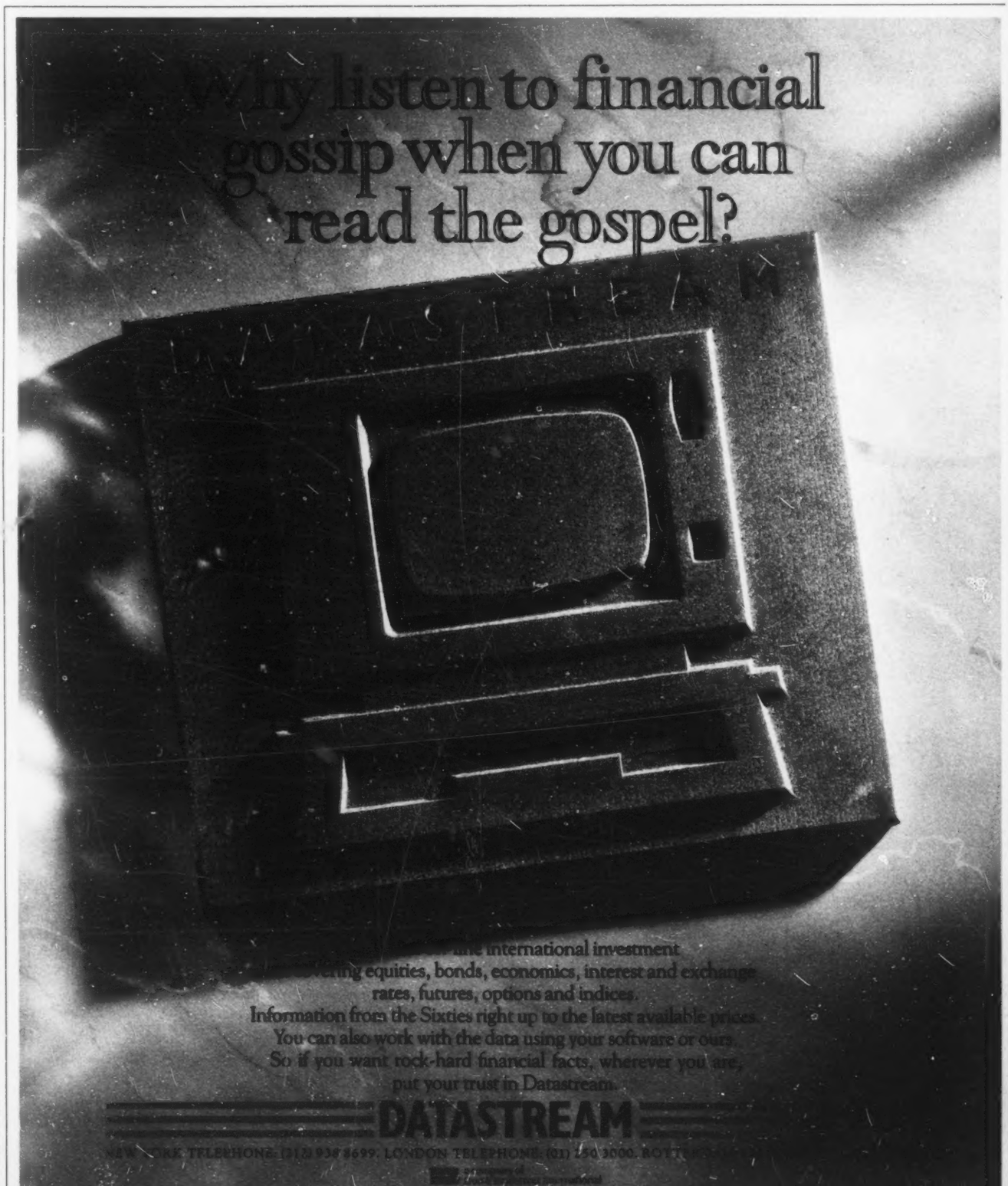
Once more to strengthen its equity base, People Express in September sold 2 million shares of common stock at $11.58 a share, raising $23.2 million.

In its most unusual offering, People Express sold $125 million in joint extendible term securities having put and call options. It used $97 million of the proceeds to pay for its $300 million purchase of Frontier Holdings Inc., parent of Frontier Airlines. People Express needed to come up with only about a third of the price, because the Denver-based Frontier had accumulated some $200 million as part of its plan to take itself private for $17 a share. People Express' contribution brought the price to $24 a share.

The notes have a 14⅜% coupon and a 10-year maturity. After five years, investors can either put the notes back to People Express at par, or they can buy at par an equivalent amount of five-year notes with the same coupon to double their holdings.

Byron Rose, managing director, Morgan Stanley & Co., which jointly underwrote the JETS offering with Hambrecht & Quist, said the deal will look good for People Express so long as interest rates rise no more than 325 basis points or fall no more than 150 basis points during the 10 years.

In its only foreign offering, People Express raised the eqivalent of $70.1 million by selling a 150 million Swiss franc 5½% convertible bond issue. The bonds carried a conversion premium of 26.5%; People Express stock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was then selling at $8.50 a share. People Express noted it has income in Belgium francs, which track the Swiss currency. Paribas was the lead manager.

In its only private placement, People Express sold $4.3 million in 10½%, four-year guaranteed bonds. E.F. Hutton was its agent.

Minstar Inc.

Public offerings	$298,812,000
No. of issues	1
Debt	$298,812,000
No. of issues	1
Private placements	$84,000,000
No. of issues	1
Total financing for 1985	$382,812,000
Key underwriter	Drexel Burnham Lambert

MINNEAPOLIS — Minstar Inc., a highly leveraged diversified firm controlled by Irwin L. Jacobs and noted for its acquisitions, last year had three different financings of registered debt and equity securities, although only one public offering.

In April, it raised $298.8 million by selling 14⅞% senior subordinated 10-year notes, priced at 99.6% and underwritten by Drexel Burnham Lambert Inc.

Richard E. Karkow, senior vice president-finance, said the offering was made for possible acquisitions. "As it turned out, they were used largely to buy AMF" for $525 million in October, he said. For the AMF Inc. stock, Minstar paid $342 million in cash and exchanged $203 million in 10% senior subordinated 10-year notes.

The single public offering of the 14⅞% notes was enough to make Minstar the second leading issuer among transportation companies. Mr. Karkow takes issue with the classification of Minstar as a transportation firm, because its sole such unit, Bekins Co., accounts for only about a quarter of its revenue.

In June, Minstar raised $84 million in a private placement by selling 4 million shares of common stock for $21 each to its directors and large shareholders. Minstar now has about 17.5 million shares outstanding. Mr. Karkow said the placement was done to get more equity in the company and to allow investors with already substantial interests to increase their stake. No investment banker was used in the transaction.

In February, Minstar bid about $760 million to buy Pioneer Corp., Amarillo, Texas. But T. Boone Pickens' Mesa Energy Partnerships put in a counter bid for Pioneer.

Regardless of the outcome, Mr. Karkow noted in Minstar's policy, financing doesn't have to follow a deal. As in the sale of the notes in April, Minstar can build a cash store before making any bid.

Mr. Karkow said Minstar had no plans to raise its credit standing out of the junk bond, or below investment-grade rating, although he said it might reduce its debt. As of Dec. 31, it had $731 million in long-term debt and $237 million in equity.

Texas Air Corp.

Total public offerings	$287,813,000
No. of issues	5
Common stock	$47,813,000
No. of issues	1
Debt	$240,000,000
No. of issues	4
Private placements	$14,300,000
No. of issues	1
Total financing for 1985	$302,113,000
Key underwriters	Drexel, Kidder, Peabody

HOUSTON — Texas Air Corp. raised more than $300 million in 1985 primarily through the public debt markets.

The airline, which has followed its failed attempt last year to take over TWA with a successful bid to acquire Eastern Air Lines, opened the year with a two-pronged offering of senior notes and subordinated exchangeable debentures.

The $60 million offering of seven-year notes in late January carried a 15¾% interest rate. Investor interest in the notes prompted the company to increase the offering by $10 million.

The second part of the financing, a $30 million issue of 20-year exchangeable debt, came a week later and was priced at par to yield 10%. The securities were structured to be exchangeable into Continental Airlines common stock at $12 per share, for a 23% conversion premium over Continental stock's trading price at the time of issue.

Proceeds from the issues were earmarked for general corporate purposes and for the purchase of aircraft and other airline-related assets.

Texas Air returned to the debt markets later in the year to offer $75 million each of five and 10-year senior notes. Both issues were priced at par to yield 14⅜% for the five-year notes and 14.9% for the longer term securities.

The issuer also moved into the equity markets once last year to raise $48 million with the sale of 2.5 million shares of common stock at 19⅛ per share.

Its only private placement in 1985 was a $14.3 million deal of 15-year certificates placed through Merrill Lynch Capital Markets.

Kidder, Peabody & Co. was the lead manager for Texas Air's first two debt offerings, with Merrill and Smith Barney, Harris Upham & Co. Inc. co-managing those deals. Drexel Burnham Lambert Inc. was sole manager for the second two senior note issues. Kidder, Drexel and Smith Barney were managers on the stock offering.

Federal Express Corp.

Total public offerings	$212,000,000
No. of issues	2
Common stock	$112,500,000
No. of issues	1
Debt	$99,500,000
No. of issues	1
Private placements	$202,916,000
No. of issues	6
Total financing for 1985	$414,916,000
Key underwriter	Kidder, Peabody

MEMPHIS, Tenn. — Federal Express Corp. completed 10 public and private transactions in 1985 in its efforts to finance capital expenditures related to aircraft facilities and equipment.

The $212 million in proceeds from its two public offerings in the interim was used to retire outstanding commercial paper.

In August, the company raised $99.5 million through a 10⅝% 10-year senior note offering priced at 99.5 to yield about 10.7%.

In mid-December, it moved into the equity markets to issue 2 million shares of common at $56.25 apiece for a total offering size of $112.5 million.

Kidder, Peabody & Co. lead managed both deals, with Merrill Lynch Capital Markets acting as co-manager on the stock deal.

Federal Express also raised almost $203 million in the private placement arena through six transactions, including a leveraged lease, an ownership interest sale and four note offerings. Private deal sizes ranged from $12.4 million for the ownership interest transaction to $74.3 million for the private placement of 9.75% notes due in 1995 to 1997.

Merrill Lynch Capital Markets was used most frequently as placement agent in the private deals.

AMR Corp.

Total public offerings	$200,625,000
No. of issues	1
Common stock	$200,625,000
No. of issues	1
Private placements	$0
Total financing for 1985	$200,625,000
Key underwriters	Salomon, Morgan Stanley

DALLAS/FORT WORTH — AMR Corp. added to an already strong balance sheet and cash position with its mon stock — American Airlines' only financing for the year.

Underwritten by Salomon Brothers Inc. and Morgan Stanley & Co., the deal was priced at $40⅛ a share for a total of $200.6 million. Proceeds went directly into the corporate coffers and is now being invested on a short-term basis.

In addition to strengthening AMR's balance sheet, the stock offering was also designed to strengthen the airline's A rating. In previous years, AMR had held a Baa rating.

Health

American Medical International Inc.

Total public offerings	$505,137,000
No. of issues	6
Common stock	$119,025,000
No. of issues	1
Debt	$386,012,000
No. of issues	5
Private placements	$0
Total financing for 1985	$505,137,000
Key underwriter	Goldman, Sachs

BEVERLY HILLS, Calif. — To finance an aggressive acquisition and capital spending program last year, American Medical International raised $505.1 million in an equity offering and a variety of debt issues, both in U.S. dollar- and foreign currency-denominated issues, including 30-year fixed-rate debentures.

"The hospital industry is very capital intensive," said Anthony Dent, vice president, director-investor relations.

For 1986, Mr. Dent said, "We are looking at a moderation of capital spending and acquisitions, simply because we've been so active in (these areas)."

Even so, American Medical this year has raised $318 million in four offerings in the United States and abroad. Mr. Dent noted it still has $100 million debt remaining in a 415 shelf registration.

"We are not hesitant about using new capital markets or new securities," Mr. Dent said. In February, it raised about $44 million from a $50 million offering of British bulldog debentures — pound sterling notes issued by a foreign firm for use outside the United Kingdom. The 9⅞% coupon debt was priced at 88.255%.

In 1985, it began its financing in January, raising $45.7 million in 10-year 11¼% in Eurosterling notes. Later that month, it raised $99.2 million in 10-year 11⅜% notes in a U.S. offering.

In May, it got $41.6 million selling a 12-year dual-currency bond in the Swiss market. A month later, it came to the U.S. market three times more. It raised $99.5 million in 10-year 10¼% notes and $99.8 million in 30-year 11¼% debentures that both sold at less than one percentage point under par.

Mr. Dent said Goldman, Sachs & Co. was lead manager of all American Medical's domestic debt and equity offerings. Dean Witter Reynolds Inc. was a key underwriter for all three debt issues and Salomon Brothers Inc., underwrote two debt issues.

Barclays, London, managed the Eurosterling offering and Soditic, a Swiss firm, managed the dual-currency offering, with Goldman, Sachs serving as key underwriter.

This year its other offerings were a $75 million 9.175% Eurodollar issue, priced at 1% above par and two U.S.-dollar notes of $100 million each, a 9¾% seven-year issue and a 9⅝% five-year issue, both sold domestically at a fraction below par.

Maxicare Health Plans Inc.

Total public offerings	$440,799,000
No. of issues	3
Common stock	$320,799,000
No. of issues	2
Debt	$120,000,000
No. of issues	1
Private placements	$0
Total financing for 1985	$440,799,000
Key underwriters	Salomon, Montgomery

Health Plan Inc. was the subject of the second largest common stock offering in February 1985.

Los Angeles' Fremont General Corp., which had held a 55% stake in Maxicare, sold 8.9 million shares of the health care company through a secondary public offering that totaled $230.2 million.

The February common stock deal was priced at $25.75 a share, while Maxicare's second common stock offering during the year was priced at $18.125 a share.

In November, the company sold 5 million shares to U.S. and Canadian investors for $90.6 million. However, the company had filed with the Securities and Exchange Commission to sell 6 million common shares. Maxicare reserved the other 1 million shares for sale directly in Europe.

In the company's debt deal, Maxicare issued $120 million of 25-year convertible subordinated debentures with a coupon of 7%. Salomon Brothers Inc. and Montgomery Securities co-managed all three Maxicare deals.

Hospital Corp. of America

Total public offerings	$374,011,000
No. of issues	3
Debt	$374,011,000
No. of issues	3
Private placements	$0
Total financing for 1985	$374,011,000
Key underwriters	Pru-Bache, Swiss Bank, Merrill

NASHVILLE, Tenn. — Hospital Corp. of America raised $374 million in the debt markets last year to finance its construction and acquisition programs for hospitals as well as general corporate purposes.

Its three deals included one 10-year Euronote offering for $100 million. The coupon on the September offering was 10¾%. Swiss Bank Corp. International led underwriters on the deal.

Domestically, HCA issued $100 million and $175 million of seven- and 30-year securities, respectively. Underwritten by Prudential-Bache Securities Inc., the seven-year offering in June carried a 10⅛% coupon and was priced at 99.7 to yield 10.192%. The 30-year sinking fund debentures, issued in December, carried an 11.25% coupon and were priced at just more than 99.6 to yield 11.293%. Merrill Lynch Capital Markets led underwriters on the deal. One other financial transaction during the year was a debt-for-equity exchange with Beverly Enterprises.

Beverly Enterprises

Total public offerings	$336,750,000
No. of issues	3
Common stock	$226,750,000
No. of issues	2
Debt	$110,000,000
No. of issues	1
Private placements	$30,000,000
No. of issues	1
Total financing for 1985	$366,750,000
Key underwriter	Merrill Lynch

PASADENA, Calif. — Beverly Enterprises' financing activity was geared toward raising cash for acquisitions and general corporate purposes as well as debt restructuring.

Its first of two common stock deals during 1985, however, not only improved its own cash position but also that of Hospital Corp. of America.

The transaction involved an equity-for-debt swap with HCA followed by a public offering of Beverly common shares.

Until then, HCA owned 4.4 million, or 18%, of Beverly shares outstanding. The size of HCA's stake along with the seat it holds on Beverly's board meant HCA had to use equity accounting on Beverly operating results.

In June, Beverly swapped HCA $120 million of convertible subordinated debentures due in 1990 for 3.5 million of its shares held by HCA. Beverly then retired those common shares and issued the same amount of new common on the open market.

The deal gave Beverly $122.5 million in capital that could be used for buying health facilities. It also allowed HCA to book some $9 million as cash (before the deal, HCA had to use equity accounting for Beverly operating

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The Tokai Bank Limited

Dealer

Goldman Sachs Money Markets Inc.

Depositary

Manufacturers Hanover Trust Company

Arranger And Facility Agent

Commonwealth Bank of Australia

February 1986

greater pre-tax gain on its remaining 3% stake in Beverly. Although taxes accrue on that stake, they are not due immediately.

Five months later, Beverly repurchased the 7.5% convertibles to HCA in the debt-for-equity exchange with $110 million in proceeds generated from an offering of zero-coupon notes. The 18-year notes totaled $440 million in face value and were sold at 25 to yield 8%. The restructuring was done to convert short-term, five-year debt into long-term obligations.

In December, Beverly issued another 3 million shares of common, generating $104 million. About $77 million of the proceeds were used to repurchase debt issued in June 1983. The remainder was earmarked for general corporate purposes.

In the private markets, Beverly arranged one private placement of senior notes totaling $30 million.

Merrill Lynch Capital Markets was lead underwriter for Beverly's three public offerings, with Stephens Inc. acting as co-manager on the two stock deals. Manufacturers Hanover Trust Co. was the placement agent for the private deal.

National Medical Enterprises Inc.

Total public offerings	$149,285,000
No. of issues	3
Debt	$149,285,000
No. of issues	3
Private placements	$74,461,000
No. of issues	3
Total financing for 1985	$223,746,000
Key underwriters	Merrill Lynch, Edward D. Jones, J.C. Bradford

LOS ANGELES — National Medical Enterprises Inc. dipped into the public markets three times in early 1985 to raise capital for Hillhaven Corp., a subsidiary, and to reduce bank borrowings.

It came out with two 15-year debenture offerings in February and March — the first for $30 million and the second for $20 million — to provide Hillhaven with funds primarily for the acquisition of long-term health care facilities. The coupon on the February deal was 12%, while the March offering carried a 12.5% coupon.

A third offering in April raised $99.3 million for the purpose of reducing bank loans. The 10-year notes carried a 12⅛% coupon and were priced at 99.283 to yield 12.25%.

In the private placement markets, National Medical's three transactions included a $67.2 million offering of 25-year notes and a $1.5 million sale leaseback. A private placement of ownership interests totaled $5.8 million.

Merrill Lynch Capital Markets acted as placement agent in the private deals as well as underwriter for the April note offering. Edward D. Jones & Co. and J.C. Bradford & Co. co-managed the 15-year debenture deals.

Rail/shipping

Burlington Northern Inc.

Total public offerings	$299,750,000
No. of issues	4
Debt	$299,750,000
No. of issues	4
Private placements	$0
Total financing for 1985	$299,750,000
Key underwriters	Salomon, Morgan Stanley, Scherck Stein & Franc

SEATTLE — Burlington Northern Inc. burst into the capital markets in 1985 for the first time in three years, raising $299.7 million, all domestically.

Burlington has continued its furious financing pace, offering in January a $300 million 9⅝% 10-year domestic bond issue to pay off short-term debt used for its $725 million acquisition of Southland Royalty Co.

Luino Dell'osso, chief financial officer and senior vice president of finance and planning, doubts Burlington will be doing anymore financing for at least the rest of the year.

He said Burlington's re-entry last year into the capital markets was spurred in part by attractive rates. In August, it raised $249.7 million in a 30-year 11⅝% sinking-fund debentures for general corporate purposes.

"You can't do 30 years in Europe," Mr. Dell'osso said, explaining why Burlington decided on a domestic offering. The issue was rated Aa by Moody's Investors Service Inc. and A by Standard & Poor's Corp. In 1984, Burlington's general corporate debt was upgraded to its present rating from Baa.

In its other 1985 issues, Burlington sold AAA rated debt by issuing three equipment trust certificates through its Burlington Northern Railroad unit. He called the certificates "the least expensive way of financing" equipment purchases; because specific assets back the debt, it receives the top rating. Burlington used the $50 million in equipment trust certificate proceeds to buy locomotives. He said Burlington typically uses certificates to finance equipment purchases. The certificates' rates and maturities range from 9¼% to 11.85% and from one to seven years. The lead underwriter of the issue was Salomon Brothers Inc.

Despite being the largest issuer among railroad and shipping companies last year, Burlington Northern didn't use a 415 shelf registration. Mr. Dell'osso said such filings, which allow for speedier securities sales, are practical only "if you anticipate being in the market with some sort of regularity."

Scherck Stein & Franc Inc., a St. Louis-based investment banker, co-managed the $249.7 million debentures with Morgan Stanley.

In 1985, George Howison became treasurer of the Burlington parent company, replacing Frank Boyle, who was named chief financial officer of El Paso Natural Gas Co., a Burlington unit. Mr. Howison had been vice president of finance and planning for another unit, Plumb Creek Lumber Co.

Union Pacific Corp.

Total public offerings	$216,865,000
No. of issues	4
Debt	$216,865,000
No. of issues	4
Private placements	$0
Total financing for 1985	$216,865,000
Key underwriters	Salomon, Morgan Stanley, First Boston

NEW YORK — Union Pacific Corp. completed four public offerings during the year — one of them in the international arena.

In early April, the company offered $100 million of seven-year notes in the Euobond market to raise capital for general corporate purposes. The notes carried an 11.5% coupon. Credit Suisse First Boston was lead underwriter on the deal.

The company's Missouri Pacific Railroad Co., meanwhile, raised $117 million to buy rail equipment in three offerings of equipment trust certificates. In June, the issuer came out with a $41.5 million offering of 10.35% certificates due in August 1999 and a $38 million serial offering, with the certificates due between 1986 and 1997. Both transactions were managed by First Boston Corp. and Salomon Brothers Inc.

A third issue of equipment trust certificates due 1986 to 2000 came out in December and raised $37.5 million for Missouri Pacific. Morgan Stanley & Co. and Kidder, Peabody & Co. were the underwriters.

Chicago Pacific Corp.

Total public offerings	$197,360,000
No. of issues	1
Debt	$197,360,000
No. of issues	1
Private placements	$0
Total financing for 1985	$197,360,000
Key underwriter	Goldman, Sachs

CHICAGO — Chicago Pacific Corp. took advantage of the rising bond market in mid-July to raise cash for the acquisition of operating companies.

The Federal Reserve Board had revised its 1985 money supply target upward, dispelling anxiety over a Fed tightening of the money supply. As a result, both the stock and bond markets climbed and issuers flooded the markets with new financings.

Chicago Pacific offered $200 million of 14% subordinated notes due in 1995. The non-syndicated deal was priced at $98.68 to yield 14.25%. Net proceeds to the company came to almost $197.4 million. Goldman, Sachs & Co. underwrote the issue.

Rio Grande Industries Inc.

Total public offerings	$180,000,000
No. of issues	2
Debt	$180,000,000
No. of issues	2
Private placements	$0
Total financing for 1985	$180,000,000
Key underwriter	Morgan Stanley

DENVER — Rio Grande Industries Inc. issued $180 million last year in two domestic debt deals.

The 10- and 20-year obligations both made their debut May 2. The 10-year senior subordinated note issue carried an interest rate of 13⅝% and totaled $100 million. In addition, the 20-year deal consisted of $80 million of subordinated debentures, with a fixed coupon of 14⅜%. Both issues were offered at par. Morgan Stanley & Co. managed the deals.

CSX Corp.

Total public offerings	$149,379,000
No. of issues	2
Debt	$149,379,000
No. of issues	2
Private placements	$0
Total financing for 1985	$149,379,000
Key underwriters	Credit Suisse First Boston, Daiwa

RICHMOND, Va. — CSX Corp. raised $149 million in two overseas deals last year to help refinance short-term debt and for general corporate purposes.

The railroad company came out with a seven-year Eurodollar issue in March, with proceeds totaling $99.8 million. In December, it raised another $49.6 million with a 10-year Euroyen note deal. Coupons on the offerings were 11.5% and 6.75%, respectively.

Credit Suisse First Boston was sole manager on the Eurodollar issue, while Daiwa Securities lead managed the yen-denominated offering.

An editorial update on the use of leasing as a corporate financing tool will run in the April 14 issue.

New issues of corporate securities

February 17 — February 28, 1986

Issue date	Company	Amount ($ mil.)	Type of security	Offering price Debt (%) Share ($)	Gross spread as % offer price	Where traded (to list)	Manager
Debt							
2/25	Atlantic Richfield Co.	150.00	Subs.	99.67%	.375	NY	Salomon/First Boston
2/27	New England Tel. & Teleg. Co.	100.00	Debs.	99.29%	.262	OTC	Salomon/First Boston/Merrill Lynch/Shearson Lehman
2/25	Pacific Bell	300.00	Debs.	98.45%	.889	OTC	First Boston/Goldman, Sachs/Kidder Peabody/Merrill/Salomon
2/27	Southern California Edison Co.*	300.00	Fst. & Ref. Mgt.	99.80%	.702	NY	FBC/MS/DBL/EFH/SLB/BEAR/PAINE-W
2/27	Ford Motor Credit Co.	300.00	Note	99.80%	.461	OTC	Goldman, Sachs
2/27	Chevron Corp.	300.00	Note	99.62%	.452	NY	Salomon/Merrill Lynch
2/20	New Jersey Bell Telephone Co.*	300.00	Debs.	99.25%	.737	NY	FBC/DLJ/SM/PBS/SAL/DB/PAINE-W
2/28	The Boeing Co.	250.00	Note	99.50%	.503	NY	First Boston
2/27	General Electric Credit Corp.*	250.00	Extend. Note	99.66%	.284	NY	MS/EFH/SBH/BEAR/DLJ/DBL/EF
2/27	General Electric Credit Corp.*	250.00	Extend. Note	99.27%	.272	NY	MS/EFH/DLJ/PBS/SBH/BEAR/DBL/KP
2/27	Citicorp	250.00	Sub. Note	99.75%	.800	OTC	Salomon/Merrill Lynch
2/25	General Motors Acceptance Corp.	250.00	Note	99.66%	.426	NY	Merrill Lynch/First Boston/Morgan Stanley/Salomon
2/25	General Motors Acceptance Corp.	250.00	Note	100.00%	.600	NY	Merrill Lynch/First Boston/Morgan Stanley/Salomon
2/19	Student Loan Marketing Assoc.	150.00	Note	Market	Market	OTC	Morgan Stanley
2/18	Atlantic Richfield Co.	250.00	Note	99.90%	.326	NY	Salomon/First Boston
Common Stock							
2/26	Motorola Inc.	302.00		$43.25	3.33	NY/MW	Goldman, Sachs
2/25	Loews Corp.	285.20		$63.37	1.99	NY	Salomon/Morgan Stanley
2/25	Chesebrough-Pond's Inc.	202.5		$40.50	2.10	NY	Shearson Lehman
2/27	Hartford National Corp.	95.60		$38.25	3.27	OTC	Kidder Peabody/First Boston
2/20	Burger King Investors Master L.P.	81.40		$20.00	6.50	IPO (NY)	MLCM/SBH/Boettcher/Bradford/ DAIN-ROS*
2/26	The Italy Fund Inc.	66.00		$12.00	7.00	IPO (NY)	Shearson Lehman/Salomon/Daiwa Securities
2/20	Grumman Corp.	58.80		$23.50	4.26	NY/BO*	Dillon, Read/Goldman, Sachs
2/21	Republic New York Corp.	58.50		$39.00	2.49	NY/LON	Salomon/Merrill Lynch/Bear Stearns/Shearson Lehman
2/20	PaineWebber Residential Realty	52.50		$10.00	7.50	IPO (AM)	PaineWebber
2/20	Allegheny Beverage Corp.	52.30		$25.50	4.90	OTC	Smith Barney, Harris Upham

Source: Securities Data Corp., New York
**Competitive*

Sub. Note: Subordinated note
Extend. Note: Extendable notes
Debs.: Debentures
Fst. & Ref. Mtg.: First & refunding mortgage bonds
'First Boston/Morgan Stanley/Drexel Burnham Lambert/E.F. Hutton/Shearson Lehman/Bear Stearns/PaineWebber

AM: American Stock Exchange
NY: New York Stock Exchange
OTC: Over the Counter
IPO: Initial Public Offering
MW: Midwest Stock Exchange

Cash Management

Execs assail proposed ACH limits

Say ceiling would counter Fed efforts to cut float, paper checks

By Fred Williams

Cash management executives are opposed o the Federal Reserve Bank's imposition of imits on the size of transactions on the utomated clearinghouse network.

Such limits would defeat the Federal eserve's goals of reducing float and dis- ouraging the use of paper checks, accord- ng to most of those responding to the Fed's equest for comments in its review of the isks arising from ACH transfers.

The Fed is expected to announce its find- ngs in May, but many experts believe it ventually will limit the size of ACH trans- ctions to about $1 million from its cur- ent limit of just less than $100 million.

Paul J. Beehler, the new director of trea- ury control for E.F. Hutton & Co., who has een given responsibility for revamping the roubled firm's banking and cash manage- nent system, believes the Fed should not estrict the size of ACH transactions and ccused it of "talking out of both sides of its nouth" in its efforts to eliminate float from he funds transfer system.

Both the Fed and ACH executives have documented increased use of the low-cost ACH for large-dollar payment transactions.

According to the Fed staff paper con- tained in its request (published in May 1985) for comments on risks associated with large-dollar ACH payments, "it appears that the ACH may be evolving into a pay- ments mechanism with many similarities to large-dollar funds transfer systems . . . The types of payments made through the ACH are changing. Corporations are now using the ACH to concentrate balances at lead banks, to fund accounts of geographically dispersed operating units, to repay loans and to make vendor payments. These new uses for the ACH mechanism have contri- buted to the increasing number of large- dollar payments processed."

"What difference does the dollar amount make?" asked Mr. Beehler. He said a limita- tion would have minimal effect on Hutton, which uses the ACH extensively to concen- trate funds from its 420 branches rather than using depository transfer checks. Hut- ton's average ACH transaction now amounts to about $24,000 per branch, he said. "But that's not to say that we wouldn't consider using the ACH for large-dollar transactions at some point in order to han- dle the float issues," he said.

"The Fed shouldn't be taking any action. I think it is an inconsistent position for the Fed to take and it's confusing to the corpo- rate user . . . We use the ACH to reduce collection float and to make it more pre- dictable and uniform. The Fed seems to be talking out of both sides of its mouth. On one hand it wants corporations to use the ACH as an efficient electronic funds trans- fer vehicle to reduce float, and then it turns around and wants to reduce the dollar amount of each transaction."

Elliott C. McEntee, associate director at the Board of Governors of the Federal Reserve System in Washington, said most of the comments received by the Fed were opposed to limiting ACH transactions.

He said the responses are being analyzed and the staff is expected to make a recom- mendation to the board in April. He said the findings should be ready for public com- ment in May.

He described the undertaking as a fact- finding mission to find out what risks are associated with large-dollar ACH transac- tions in light of its increased use as a high- dollar wire transfer vehicle.

Another Fed spokesman said there might be policy guidelines published that limit the size of ACH transactions because the ACH "is primarily a small-dollar system."

The National Corporate Cash Manage-

Continued on page 37

Analysts score a bull's-eye on rate-cut call

By Richard J. Gillespie

NEW YORK — Most money market analysts and economists were right on target with their most recent predictions.

Regardless of whether interest rates were headed up or down, money market sources inter- viewed in the three days leading up to the U.S. discount rate cut March 7 essentially said the same thing. The actions of the German or Japanese central banks would determine the action of the Federal Reserve.

When the Federal Reserve eventually cut the discount rate to 7% from 7.5%, where it had stayed since November as long- term rates plunged more than 200 basis points, it was clearly a reaction to similar moves by the West German and Japanese cen- tral banks made not 24 hours before.

Money market analysts inter- viewed two days before the latest cut stated their belief that the Federal Reserve would not cut the discourt rate until the Germans especially, had cut their own rate.

"We got lucky this time," said Maria Fiorini Ramirez, a money market analyst at Drexel Burn- ham Lambert Inc., New York.

Possibly as a result of an ini- tiative agreed to by the five major Western industrialized countries last fall, the Federal Reserve has been waiting for either West Germany or for Japan to cut its own discount rate before it would make a sim- ilar move in the United States, industry analysts observed.

While a spokeswoman for the Federal Reserve said the agree- ment struck by the so-called Group of Five related specifi- cally to the strength of the U.S. dollar on foreign currency mar- kets and did not contain any pact to coordinate a general interest rate decline, the G-5 agreement was an important ingredient in the rate cut because of concerns over the U.S. dollar.

To prevent the dollar from falling too rapidly, interest rate cuts will have to be coordinated

Continued on page 36

Photo by Arnie Adler

Foundation Controller Gary Kelley

Statue repair a big business

By Richard J. Gillespie

NEW YORK — The Statue of Lib- erty-Ellis Island Foundation Inc. has become "a very big business" with more than 100 bank relationships, said Gary Kelley, controller of the foundation.

The foundation has about $233 million in cash and pledges from mil- lions of donors. Cost overruns have prompted foundation leaders to raise the goal to $250 million from $225 million.

Many of the banks — including seven of the nation's 10 largest — are used for one-way contribution accounts through an arrangement

Continued on page 36

Payden & Rygel index of short maturities assets*

(for month ending February 28, 1986)

	February 1986	Quarter ending 12/31/85	Year to date	12 months ending 2/28/86	Yield level monthly change*
	Unannualized total returns				
90 Day					
U.S. Treasury Bill	0.5430	1.8910	1.1865	8.2536	+05
Domestic C.D.	0.6343	2.0447	1.2991	8.6649	−18
Euro $ C.D.	0.6508	2.0712	1.3101	8.8582	−22
180 Day					
U.S. Treasury Bill	0.5859	1.9397	1.2436	9.1694	−04
Domestic C.D.	0.6669	2.0989	1.3071	9.3308	−18
Euro $ C.D.	0.7173	2.1525	1.3204	9.5634	−27
1 Year					
U.S. Treasury Note	0.7026	2.3533	1.3789	10.7222	−14
2 Year					
U.S. Treasury Note	1.1031	3.8000	1.7707	15.0838	−28

*Figures are unannualized total returns. Year-to-date and 12 month figures linked monthly. 90 and 180 Day Treasury Bill yield level changes on discount basis.

*Basis points.

Source: Payden & Rygel, Los Angeles, California 90017

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2,500 seek certification

NEW YORK — More than 2,500 ash management executives and ank officials have requested reg- stration materials for the National Corporate Cash Manage- ent Association's new certifica- ion program.

Successful completion of the ex-

Notes

professional designation, certified cash manager, or CCM.

"The enthusiastic response tells us that we're providing a service that cash managers and people in related services are looking for," domestic banking at Champion Spark Plug Co.

Mr. Goveia is chairman of the NCCMA's certification committee.

According to the NCCMA, 75% of the requests for materials have come from corporate cash manag- ers.

Another 18% have come from people in banking services, and

C2710-2

Pension shareholders exercising proxy vote

By Alan Krauss

Pension funds and other institutional shareholders that once voted with their feet when they disagreed with corporate management now vote with their proxies.

• In 1985, the $29.2 billion California Public Employees' Retirement System voted proxies against more than 130 management-proposed resolutions, such as 77 anti-takeover proposals, 42 to create classified or staggered boards of directors and more than a dozen on greenmail.

• Batterymarch Financial Management, Boston, which manages about $12 billion in tax-exempt assets, has voted on about 30 resolutions this year on behalf of its clients on such topics as staggered boards and "fair-pricing."

• Last December, officials of the United Brotherhood of Carpenters, Washington, representing carpenters' locals nationwide, attended a special shareholders meeting of Weyerhaeuser Co., Tacoma, Wash., to rally opposition among institutional shareholders to bylaw amendments that included staggering the board and requiring supermajority votes to effect subsequent corporate gov-

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PROXY ☐
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Pensions & Investment Age

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Big firms' plans targeted

Tax status menaced

By Joel Chernoff

WASHINGTON — Companies with more than one line of business could lose tax qualifications for their retirement plans under new tax overhaul legislation unveiled by Sen. Bob Packwood, R-Ore.

The legislation would impose a new coverage test that would have a devastating effect on larger employers, said Mark Ugoretz, executive director of the ERISA Industry Committee, a Washington lobby group. "This is what all my members are concerned about," he said.

"Many large plans, if not most, will not be able to meet" the new test, said Richard Fay, a partner in the law firm Reed Smith Shaw & McClay, Washington.

In addition, the proposal would eliminate a revenue ruling enabling employers to establish separate retirement plans for salaried employees, and would give the Treasury Department authority to write new coverage tests, Mr. Fay said.

"I think it is extremely dangerous to make such a sweeping change and allocate the responsibility to the Department of Treasury," he said.

Under current law, a plan must meet either a percentage test or cover a fair cross section of employees.

While the percentage test would change moderately, Sen. Packwood's proposal would rewrite the fair cross-section test, which is used by most large employers.

The proposal would require the percentage of highly paid employees within any single line of business to be between 50% and 200% of the percentage of total highly paid personnel in the entire corporation.

For example, if a 200,000-person employer had 4% of its employees considered highly paid, it could have no less than 2% or no more than 8% of those workers within any single line of business. With highly paid workers generally defined as those earning $50,000 or more per year, the new test could wreak havoc on any division consisting of professionals.

Similarly, a corporate unit con-

Continued on page 53

Funds push managers to hire minority execs

By Trudy Ring
and Chuck Paustian

Public pension fund officials are pressuring investment managers to employ ethnic minorities in key investment positions, *Pensions & Investment Age* has learned.

As a result, money managers not meeting a fund's policy on minorities sometimes lose business to those that do.

In addition, firms without minority ownership or participation could lose existing business from pension funds with aggressive affirmative action policies.

Many managers say they would be happy to comply with policies requiring minority employees in positions of portfolio manager or higher, if only they could find such employees.

In the meantime, some all-white investment counseling firms have set up joint venture partnerships with minority-owned firms.

The amount of pressure from pension fund executives and trustees varies, but investment managers and public pension fund executives are very aware of it.

"During my travels, I come in contact with many people, and they are very actively seeking minority participation in the investment management process," said Curtis O. Townsend, deputy director of finance-pension fund asset manager for Philadelphia.

Policies adopted by public funds range from requesting the managers to have their own affirmative action policy to requiring investment managers to employ minorities in key investment roles.

Los Angeles' city pension funds are under a requirement to contract only with firms that have affirmative action plans, said Gary Mattingly, general manager of the $1.8 billion Los Angeles Fire & Police Pension System.

"This does not mean they have to have a minority employed, but they have to have addressed the issue," he said. In his experience, no investment firm has refused to have an affirmative action plan.

The policy for the State of Connecticut Trust Funds, Hartford, also states a manager must have an affirmative action program.

Barbara Reid, investment officer-social compliance for the $4.1 billion system, said the fund requires annual reports from its managers on their affirmative action policies.

"We don't have a criteria as such that requires a certain percentage to be minorities or women,"

Continued on page 54

N.Y. skips contributions

$1.4 billion to be amortized over 17 years

By Ed Christman

ALBANY, N.Y. — New York will skip two annual contributions totaling $1.4 billion to the New York State Common Retirement Fund and will amortize the amount over the next 17 years, paying 8% interest on it.

The controversial move, which was hammered out by the staffs of Gov. Mario M. Cuomo and State Comptroller Edward V. Regan, will become part of the state budget, which the Legislature is required to approve by April 1, the beginning of the fiscal year.

As part of the proposal, pension fund payments will be moved from June to later in the year, allowing the state to reduce its short-term borrowing. Also, pension fund payments will be restructured, ending a 50-year practice of paying contributions two years late.

The reduction in short-term borrowing was the catalyst for the proposal.

The move allows the state to reduce significantly the interest on short-term debt while strengthening the financial position of the pension system, said a joint statement released by Messrs. Cuomo and Regan.

In addition, it will put the state in a better light for the rating agencies, which next month will review the state's financial situation, they said.

The Common Fund, which has employee benefit assets of approximately $27 billion, has 775,000 participants among state and

Continued on page 49

Photo by Michael Marcotte

Saab speeds up California collections

Saab-Scania of America Inc will recognize a savings of nearly $750,000 in 1986 following its conversion to electronic payments via the automated clearinghouse network for its dealerships in California. See story in the cash management section, page 31.

Directory of financial

Consolidated Papers goes to 25% passive

By Ed Christman

WISCONSIN RAPIDS, Wis. — Officials of the $200 million Consolidated Papers Inc. pension fund have moved at least 25% of assets to passive management because of dissatisfaction with the overall performance of active managers in the past two years.

LeRoy Engelhardt, vice president-finance, said six managers were hired and three were terminated. He declined to name the terminated managers, nor the amount taken from each and reassigned to new managers.

However, officials at First Wisconsin National Bank of Madison and Norwest Bank, Minneapolis, confirmed Consolidated Papers terminated accounts with them. Neither would reveal the amount of assets involved.

The third terminated manager reportedly was Manufacturers Hanover Investment Corp., New York. Officials would not comment.

New fixed-income managers are Minton/Newbold's Capital Management, Philadelphia, and Liberty Capital Management, New York. New equity managers are Dimensional Fund Advisors, Santa Monica, Calif.; Disciplined Investment Advisors, Evanston, Ill.; W.P. Stewart & Co., New York; and State Street Bank & Trust Co., Boston.

The passive component includes a $21 million equity index fund, a $28 million dedicated portfolio and an undisclosed amount in zero-coupon bonds.

The fund has turned to passive management "to see what happens with it over the next few years," Mr. Engelhardt said.

He indicated he would consider increasing the passive commitment if results are satisfactory.

The index fund is being run by State Street Bank, which previously acted solely as the fund's master trustee. In addition, it is "holding the zero-coupon bonds," said Mr. Engelhardt.

The dedicated portfolio is being run by Minton/Newbold's. Of the $28 million, $6 million will cover the benefits owed to employees of a divested subsidiary.

The assets of that subsidiary, Consoweld Corp., Wisconsin Rapids, were sold to LOF Plastics Inc., Troy, Mich. Consolidated Papers retains the Consoweld company shell and the pension liabilities of employees that went to LOF as part of the deal.

The other $22 million will cover retired lives at Consolidated Paper. Mr. Engelhardt declined to give details of the dedication.

Harris Trust and Savings Bank, Chicago, was retained as an active fixed-income manager, and IDS Advisory Group, Minneapolis, Equitable Investment Management Corp. and Lazard Freres Asset Management, both in New York, as equity managers.

The asset mix is about 56% equity, 40% bonds and 4% cash. The equity component has increased from 47.7% six months ago mainly because of market conditions, Mr. Engelhardt said. ■

California Teachers ups stocks $2 billion

By Steve Hemmerick

SACRAMENTO, Calif. — The $16 billion California State Teachers' Retirement System has hired five managers to invest $100 million each in the growth stocks of medium-capitalization companies.

Fund officials also revealed they increased indexed equity assets by $1.5 billion at the beginning of the fourth quarter of 1985 in one of the largest single index fund transactions ever.

They also hired Pension Real Estate Services Inc., San Diego, to assist in putting together a real estate strategy. The system has 2% to 3% of assets in equity real estate, but wants to increase that to 10% or more to provide diversity.

The firms hired as active managers are: Provident Investment Counsel, Pasadena; Denver Investment Advisors, Denver; Wright Investors' Service, Bridgeport, Conn.; Pilgrim, Baxter, Hoyt & Greig, Philadelphia; and Equitable Investment Management Corp., New York.

The additions are part of trustees' plans to boost equity holdings and add multiple active managers with a mix of styles.

The new firms and indexation were funded from $2 billion in cash.

Tom Flanigan, chief investment officer for the system, acknowledged growth stocks have been out of favor, but said they could make a comeback. He said the system also will hire defensive managers, but isn't racing to do so.

Mr. Flanigan said the system put an additional $1.5 billion into index funds with Wells Fargo Investment Advisors, San Francisco, just prior to the fourth-quarter market rally.

Wells Fargo now manages about $4.5 billion in indexed assets for the system: About $2.7 billion is in a fund that tracks the S&P 500, while $1.7 billion is in an "extended" fund that includes more of the smaller stocks as well as large-capitalization ones.

The distribution of the $1.5 billion was based on market weightings, Mr. Flanigan added.

In this instance, he said, the index funds met the system's need to implement a decision quickly, something that would have been difficult because of the sheer bulk of the assets involved.

The decision to put the assets into the index funds he said, was made in the belief the stock market was going to rise further, he said.

"We felt that interest rates were going to single digits long before they did, and we felt that an interest rate drop would induce the stock market to rally," said Mr. Flanigan.

Had the assets remained in cash, they probably would have earned around 9%, Mr. Flanigan said.

Instead, he said, the index funds returned about 17.25%, with some of the large-capitalization stocks in them returning more than 30%. "I don't think anyone has put that kind of money into the market prior to a rally like this," said Mr. Flanigan.

The rather swift movement of the cash into stocks underscored Mr. Flanigan's belief that index funds solve problems of size and inflexibility faced by lumbering super funds.

The new moves in the stock

Continued on page 51

Timothy P. Prince United Nations fund chief

Eugene B. and Betty Burroughs M.D. Sass Investors

Arthur Williams III managing director Simms Capital Mgmt.

'Goodbye' to buy side

Eight pension execs join managers, consultants

By Rose Darby

Eight pension executives have given up their jobs for the lure of opportunities as money managers and consultants.

Two have joined established investment management firms, one will do so in May, two have joined an investment management consulting firm and three have launched their own money management firms.

Those interviewed said they are changing jobs for the opportunity to work with people they know and respect in a more entrepreneurial environment than corporations can offer.

The eight are:

• Arthur Williams III, former vice president-pension fund investments for the $550 million Merrill Lynch & Co. Inc. pension fund in New York.

Mr. Williams joined Simms Capital Management as a managing director. He will be responsible for U.S. pension fund clients, some product development and some marketing, said Bob Simms, chairman.

His position at Merrill Lynch has not been filled. Courtney F. Jones, chief financial officer, temporarily is overseeing the pension fund.

Mr. Williams said working in an entrepreneurial environment prompted the move.

"Merrill Lynch is as entrepreneurial as you can get, but it's still a big company," he said.

"I wanted to be working with people who have a commitment to a common cause, who are all succeeding together or failing together. That was the thing that was motivating me.

"Financial opportunity is everywhere, but that's not why I moved. It was being part of something that was exciting and going somewhere with really top level people."

• William L. Green, former manager-pension investments for the roughly $930 million Texas Instruments Inc. pension fund in Dallas.

Mr. Green joined Rogers, Casey & Barksdale Inc., Stamford, as a consultant.

He was replaced at TI by Irene Leary, formerly an international financial analyst for the company.

• Timothy P. Prince, chief-investment management section for the $4.4 billion United Nations Joint Staff Pension Fund, New York.

Mr. Prince is leaving at the end of April. He refused to discuss where he is going, but one source said he is expected to join a small investment management boutique in May.

Mr. Prince had spent seven years at the United Nations; no replacement has been named. "I leave the U.N. with a great deal of regret," he said. "It's been an extraordinarily interesting and stimulating seven years."

• Seth Rosenberg, former manager-benefit financing for the roughly $760 million Pfizer Inc. pension fund in New York.

Mr. Rosenberg also joined Rogers, Casey & Barksdale, where he will do investment supervision of trust company collective funds and other investment programs, as well as consulting.

He has not yet been replaced at Pfizer.

• Walter R. Good, former vice president-pension asset management, and Roy Hermansen, former director, of the roughly $1.1 billion pension fund of The Continental Group, Stamford, Conn.

Messrs. Good and Hermansen launched a joint venture with Mellon Bank Corp., Pittsburgh, called Mellon Universe Management Group in Stamford.

Christine Williams, manager-pension investment administration will administer The Continental Group's fund, Mr. Good said.

Mr. Good said he and Mr. Hermansen left following a pension fund restructuring in which a fixed-income approach matching maturities to liabilities was adopted.

Their new firm, a wholly owned subsidiary of Mellon Bank, revolves around a product that emphasizes the movement of portfolios from one investment style to another at appropriate times.

• William V. Ferdinand, investment manager for the about $2.8 billion Union Carbide Corp. pension fund, left to form his own firm — Coastal Partners — which opened in New York in March. No replacement has been named yet.

• Eugene B. Burroughs left his post as director of the investment department of the International Brotherhood of Teamsters, Washington, to open

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Placement totals don't add up

Dispute arises over definition of private financings

By Barry B. Burr

NEW YORK — Private placements totaled either $73 billion or $53 billion last year.

The correct figure depends on which definition of private placement is used.

The definition has caused a controversy on Wall Street on how broadly such financings should be defined.

A broad definition would include registration rights private placements. Such placements are sold with provisions permitting the securities to be registered for sale in the capital markets.

The dispute leaves in doubt which firms ranked as the leading private placement agents.

The controversy affects Drexel Burnham Lambert Inc. more than any other agent: Private placements with registration rights accounted for the bulk of the firm's private financings because of its intense takeover activity.

But the dispute affects significantly the rankings of other firms as well, including Salomon Brothers Inc.; Goldman, Sachs & Co.; First Boston Corp.; and Merrill Lynch Capital Markets.

Aside from the rights registration issue, the controversy includes whether privately placed certificates of deposit and collateralized mortgage obligations ought to be considered in the private placement tallies.

Of the $73 billion in private placements under the broad definition, $8.1 billion was in mortgage-related deals, $5.9 billion in certificates of deposit and $5.8 billion in registration rights. The vast majority was in the undisputed so-called "plain vanilla" placements, totaling $53 billion and including $11.5 billion in lease-related deals and $2.6 billion in acquisition-related deals.

Depending on which tally is used, Salomon or Goldman ranked first, while Drexel Burnham Lambert ranked second or 10th.

In short, the broader definition raises Salomon and Drexel Burnham Lambert in the rankings, while a narrower definition favors Goldman, Merrill Lynch and First Boston.

Registration rights accounted for $5.7 billion of Drexel Burnham Lambert's $7.8 billion in private placements, or 51 of its total 102 in deals.

Drexel did 98.9% of the $5.8 billion in registration rights private placements last year. (Salomon and Bear, Stearns & Co. accounted for the two deals Drexel did not handle.)

Gerald L. Brodsky, Drexel managing director, said he was amazed his firm had nearly 99% of the registration rights placements done last year.

He said the placements are particularly useful in takeovers allowing the acquiring firm to come up with financing quicker to close a deal, avoiding disclosure and other registration delays entailed by public offerings. Their advantage over conventional placements is that registration rights placements are sold privately at terms better to the issuer and close to those available to public offerings.

"We believe the issuer gets better overall terms by incorporating registration rights because it does provide better liquidity," he said.

The gripe is Drexel's registration rights placements aren't truly private because they are turned around and sold in the capital markets.

Mr. Brodsky said Drexel keeps no exact figures, but added, "The substantial portion of these placements with registration rights ultimately make it into the public markets."

He was a bit bemused by the dispute, noting, "This is the first year they made a big deal out of private placements with registration rights."

Representatives of other firms were unavailable for comment.

Officials at Goldman, Sachs, First Boston and Merrill Lynch reportedly were so upset at using a broad definition of private placements they refused to provide data for the last half of 1985 on their placements involving CDs and CMOs.

IDD Information Services Inc., New York, totaled the placements and ranked the firms according to both a broad and a narrow definition of private placements.

According to the broad definition that includes CDs, CMOs and registration rights, the $73 billion in private placements was up 37% from the $53 billion in 1984. There were 2,190 deals in 1985, up from 1,788 the year before.

The rankings under the broad category are:

1. Salomon, $10.5 billion, 169 deals.
2. Drexel Burnham Lambert, $7.8 billion, 102 deals.
3. Goldman, Sachs, $7.2 billion, 146 deals.
4. Merrill Lynch, $7 billion, 179 deals.
5. First Boston, $5.4 billion, 98 deals.
6. PaineWebber Inc., $4.2 billion, 149 deals.
7. Shearson Lehman Brothers Inc., $3.3. billion, 142 deals.
8. Morgan Stanley & Co., $3.1 billion, 44 deals.
9. Citicorp, $2.9 billion, 104 deals.
10. Kidder Peabody & Co., $2.8 billion, 91 deals.

But in the narrower definition the $53 billion in conventional placements accounted for only 1,587 deals last year. A comparable tally for 1984 wasn't available.

The rankings of conventional private placement agents are:

1. Goldman, Sachs, $6.7 billion, 123 deals.
2. Salomon, $6.2 billion in 68 deals.
3. Merrill Lynch, $5.4 billion, 120 deals.
4. First Boston, $4.8 billion, 91 deals.
5. PaineWebber, $3.4 billion, 113 deals.
6. Shearson, $2.7 billion, 118 deals.
7. Morgan Stanley, $2.69 billion, 39 deals.
8. Kidder Peabody, $2.67 billion, 86 deals.
9. Morgan Guaranty Trust Co., $2.4 billion, 48 deals.
10. Drexel Burnham, $2 billion,

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